

## MINUTES

### **REGULAR MEETING OF FEBRUARY 24, 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 Wednesday, February 24, 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 (not present on roll call; joined the meeting at 6:24 p.m.), Kendra Wong, and Michaela Tonking (not present on roll call; joined the meeting at 6:12 p.m.).

Also present were District Staff Members Director of Finance Paul Navazio, Director of Community Services/Golf Darren Howard, 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 he went back to comments that he had made in an email to the Director of Finance based on what was said at the January 20<sup>th</sup> Board meeting. And he quotes, "... Chair Callicrate mentioned ZBB (Zero Based Budgeting), he said he had campaigned for it, etc. You, the Director of Finance, continue to stick with Baseline Budgets. Unless revenues & expenses are laid out, account by account, into what goes in to comprise that particular account's budget, he thinks you're going to have a hard sell. If your Baseline initial discussion is, "Well, we spent X dollars in this expense account last year, and we think that amount is fine for this year", that will not go down well. What is in that account? What did you spend the money on? Why did you spend that amount, etc.? Those kinds of questions need to be answered intelligently. That's why he thinks ZBB is the way to go, it forces those kind of questions to be answered. Later on that discussion seem to then revolve around, instead of ZBB, Fixed Costs (and BTW there is no such thing as a fixed cost, all costs are variable in the end). Now this is a lot of work to analyze all revenue/expense accounts in this manner, he is sure your new Controller understands that. It also requires you to get this information out to the

public as you prepare it because it takes time to absorb this kind of information. You can't dump this information to the public a week before the Budget needs to be approved...." Here is his concern, we are almost only 4 months away from wrapping up FY 2021, but how many accounts have you put out there for us to review from your "baseline perspective"? Most companies start the budgeting process based on 6-8 months of actual activity. IVGID is now at 7 months of actuals through January, where are your budget forecasts based on actuals? To reiterate, Chair Callicrate believes in ZBB, and apparently Trustee Schmitz campaigned on it too (but then, who knows where Trustee Schmitz stands on anything these days?), but you are a "Baseline" guy. So when will we see your analysis per each account? Since most of us know your "Modus Operandi", "stall, delay, give nothing to the Board until it's too late for them to object", he suspects none of us will see the substance of any particular account. So once again, when do you propose to give the Board/Public relevant information on each and every account in the FY21/22 Budget? Let me guess, the 12<sup>th</sup> of Never. And Board, will you allow IVGID Management, specifically the Director of Finance, to do as he pleases, or will you exercise your fiduciary responsibility to insist upon answers to Budgetary questions? He thinks not because you simply do not want to upset IVGID Management. Why is IVGID blessed with so much incompetence on both the Trustee & Management levels? Thank you.

Cliff Dobler said, regarding the budget, the Championship Golf Course, based on historically data, the past 2020 season, and the 2021 budget produces some startling highlights and real concerns. \$3.8 million in annual revenues, with \$3.2 million in direct expenses. Then there is 18.5% in revenues, a full \$700,000, for back office operations for the 5 months. \$50,000 a month for Accounting and HR, \$30,000 per month for services and supplies, \$37,000 per month for additional salaries and benefits, capital costs and debt service average \$814,000 per year, expected loss for fiscal 2022 is \$931,000 – call it a million bucks. This past season, residents' rounds comprised 75% of all rounds played and averaged \$57 per round. It can be assumed that non-resident rates cannot be increased since the average rate per round went from \$117 in 2019 to \$141,000 in 2020 but the number of rounds shrunk by over 50% leading to a decrease of \$264,000 in revenues. In order to breakeven and continue with this flawed baseline budgeting, resident rates per round would have to be doubled to \$111 per round. Trying to increase revenues is only half the problem. The bloated overhead and administration expenses is where the cuts must be made – start there. He has never seen in his life such bad accounting. Allowing Management to conduct dynamic pricing is a plain giveaway; there is no reason for it. The real problem is cancelled tee times without any penalty. People do not show up and the tee time cannot be filled. There are no waiting lines to fill the spot. The Mountain Course is even worse. Over the past 5 years, revenues only averaged \$667,000 but operating expenses are

\$967,000. Adding capital costs of \$300,000 per year, the citizens have to cough up over a million dollars per year. At that course, residents consume 66% of all tee times with an average of \$26 per round. Rates would have to be increased by \$78 per round to cover the costs. Imagine pricing at \$104 per round, any takers? In 2013, the District engaged Global Golf to review and provide pricing and costing for the two courses which, if followed, would have produced a breakeven by 2018 which has come and gone. Instead, both courses loss almost \$2 million per year. It is time to consider an in depth review to find out where IVGID has gone astray. As he reviews other municipalities which have golf courses, most have made good decisions and engaged outside management firms to operate their courses; IVGID should do the same.

Aaron Katz said he has several statements to submit. Board Chair Callicrate campaigned on zero based budgeting (ZBB), you criticized other Board members who campaigned on one thing and then changed course after they were elected. You called it a lack of integrity and yet that is exactly what you are doing now. Trustee Dent campaigned on ZBB. Trustee Schmitz represented her campaign platform was Board Chair's Callicrate and therefore she was campaigning for ZBB, that's a majority. Staff refused to submit a ZBB so cancel tonight's meeting as it is a waste. Send Staff home and let Staff know they work for us. If you don't do this, they will delay and delay until the eve of preliminary budget and do the same with the final budget. You will fold just like you did for the CAFR.

Frank Wright said he has been listening to the comments so far and, as usual, people are bringing incredible information to the District. The concept that everyone uses moving forward is that the path that is chosen is a circular path with no progress. Then, it is back patting time and the standard is how much hard work you have put in. Have a treadmill leadership, just burning calories, but not getting anything done. Let's go to the CAFR, have a stellar Audit Committee and stellar consultant. The Board undermined them. What a joke as these talents are for free. Mr. Katz has brought some very interesting things forward and what is the Board going to do - nothing. He has brought things forward and you have done nothing. To have employees have free access to something that we have to pay for - we pay the Recreation Fee and pay what we use for and the employees get it for free and if they are here long enough, they get it for free. What action has the Board taken? The Board never sets any standards. This has got to come to an end and pay attention to what we are doing.

John Jansen said that he and his wife moved here in 2012 because it offered a fantastic environment. One of the things they love about this community is the two golf courses and the Chateau and banquet facilities. It adds tremendous value to their property value and our community. In order to thrive, they rely on the support

of the local residents. The Championship and Mountain Golf courses rely on locals and residents as does the Chateau. Incline has about 1,000 locals who play at the courses etc. They spend about \$100,000 at the Chateau during the week days. They provide a stable foundation for this community. He is a president of IVGC and urges the Board to maintain the excellent facilities and staff.

Judith Miller said as many of you already know the County is forging ahead with their regulations that will legitimize short term rentals unlimited in our residential areas. It seems to her that it is only a matter of time before short term rentals become the majority of housing units here. No workforce housing, no longer term rentals, a few gated enclaves of homes where an HOA has prohibited short term rentals and maybe a few brave full time residents scattered around. Unless IVGID does something to limit access to our beaches, it won't be long until we won't have a community. School enrollment has been steadily declining and once the pandemic is over, many of the families who sought refuge here will likely return to their former locations. School enrollment hasn't increased in our village schools as she had hoped so IVGID is the only meager hope that we have of slowing the on slot of tourism that we have all witnessed the last few years. Maybe life will never be the same but unless IVGID does something to limit beach access and make our exclusive amenities more costly for the visitor, we will have more and more short term rentals displacing residents so she hopes as you consider setting rates, you really make sure you can have the visitor rates as high as the market would possibly bear. She knows that the Ordinance 7 Committee has been warned of possible lawsuits if we change or even keep our current policies but she would like to suggest that you look into a procedure that IVGID used a number of times in the past; it's called judicial confirmation. It is in Chapter 43 of the Nevada Revised Statutes. A court will determine whether some proposed policies are in keeping with Nevada statutes. It is a good way to get a determination, it is supposed to be prioritized ahead of other types of cases and before moving forward with regulations that might be questionable, it would be a good idea to pursue this. Hopefully, District General Counsel can do a little research on how IVGID has used the process in the past. She does think that we are all going to have to get used to paying for what we use. She is sorry that the previous caller felt that we should be subsidizing golf but if you are using the golf facilities, you need to look at the costs and then adjust the rates accordingly. She doesn't even think we should have season passes rather it should be what does a round cost if you play 20 rounds. If you play 20 rounds, you should pay for 20 rounds - whatever that cost may be and she hopes we are going to look at, in some detail, what does a round of golf cost.

Lynn Whetstone said the agenda for the January 20, 2021 Budget Workshop indicates that the February workshop will include a discussion of baseline revenues/fee structure for the various venues. She is writing to request this review

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include a look at restructuring the fees for two of the venues: Tennis Center and the kayak/paddleboard racks at the beaches. She has previously raised these issues to the current General Manager and indicated my willingness to work with staff to come up with more equitable and appropriate fee structures. The primary issues at the Tennis Center relate to inequities between the tennis and pickleball fees/passes and the regular fees/passes versus the discounted rates for IVGID pass holders. She has been told by a former IVGID employee that the pickleball rates were originally set artificially low in order to encourage the growth of the pickleball program. That goal has long since been met, and the rates need to be adjusted to reflect the share of the tennis center facilities that a pickleball player actually uses. As examples, while a pickleball player only uses 1/4 of the court space of a doubles tennis player, each player has equal access to parking spaces, the clubhouse, restrooms, walkways, etc. Last summer the cost of an adult tennis center membership for an IVGID pass holder was \$370 and a pickleball membership was \$110. The pickleball rates need to be adjusted upwards and the tennis rates reduced. Also, with the increasing popularity of pickleball, the nonresident rates for both pickleball and tennis should be increased since there is less excess capacity at the Tennis Center (including parking, etc.) for visitors. Currently, the nonresident rates are in the range of 25% higher than the IVGID pass holder rates. With regard to the rental fees for the kayak/paddleboard racks, in the past IVGID has allowed for both annual and summer-only rentals (the latter at a discounted cost). Since the summer-only rentals can't be rented again over the winter, many users of the racks support a plan which has been under discussion by IVGID staff to switch to annual rentals only. When that is implemented, hopefully as part of this budget process, the rental fee should be reduced to reflect the ongoing cost to IVGID of maintaining the racks. Since the racks are only available for rental by IVGID property owners, the rental fee should be based on actual cost rather than on "what the market will bear" based on their popularity. And, since there are many more racks than there were in the early days of the rental program, the fixed costs can be spread over many more renters than when the program started. Finally, today's agenda shows under "Related Topics", Parcel Owner Allowances and Accounting for Punch Cards. Tennis center passes were part of the Punch Card promotion in 2019, under which residents could use part of the savings from the previous year's punch cards to pay for the passes. Both tennis center passes and kayak rack rentals should be included in any plan which is developed to allow parcel owners to use part of their recreation fee (either savings from the past year or within the year it is paid) towards the cost of services at the various venues. She submitted comments for the January 20th Budget Workshop with regard to a review of the fee structure for the various venues which I am resubmitting at the end of this email. They relate directly to the second topic for tonight's budget workshop, which is the Framework for District Pricing Policy. She believes that the memo to the board by the Director of Finance

discussing this issue does a good job of laying out some of the overarching issues which need to be considered before rates can be set. In addition, however, she believes there still needs to be a review of rates within venues (such as between pickleball and tennis at the Tennis Center as laid out in the forwarded message) as well as between venues, as described in the following paragraph. As a senior IVGID cardholder at the Tennis Center, the cost of a season pass is roughly equivalent to the cost of 32 day passes purchased using the six-pack discount. The pass only makes sense for someone who plans to play at least twice a week over the roughly 4-month season during the time of year when there are a myriad of other wonderful outdoor activities to enjoy around Incline Village. On the other hand, as a super senior, a pass to Diamond Peak for a season of about the same length would cost me less than two day passes. Since she is not a skier, it feels like she is greatly subsidizing the use of Diamond Peak by other property owners. This needs to be looked at in addition to all of the other cost recovery-related issues which are laid out as part of today's agenda item. Discrepancies such as this should be addressed in any review of fees for the various venues. As this process proceeds, one thing that should be considered is that under the current pricing structure, the venue that feels the most fair to many of us is the pricing for the Recreation Center. Under normal times, without the current pandemic restrictions, there are a wide variety of different activities that an IVGID pass holder can choose from 7 days a week for a reasonable price. Maybe there is a way to use this as a model. As noted in my previous comments, she would be happy to work with staff to develop more equitable and appropriate fee structures, particularly for the Tennis Center and kayak rack rentals. Thank you for your consideration of these issues.

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

Chairman Callicrate asked for changes to the agenda; no changes were submitted thus the agenda is approved as submitted.

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

**E.1. Fiscal Year 2020/2021 Mid-Year (2nd Quarter) Budget Update  
(Presented by Director of Finance Paul Navazio)**

**E.i.a. Review and discuss the District financial results through  
December 31, 2020 (2<sup>nd</sup> Quarter of Fiscal Year 2020/2021)**

Director of Finance Navazio gave an overview of the submitted materials included in the Board packet. Trustee Schmitz said during public comment she believes that Mr. Warren was

inquiring about year-end projections, tables 3, 4 and table 5, that those columns are reflective of the year end finances coming in at? Director of Finance Navazio said yes, should have said current year end projections. Trustee Schmitz said so that column is what you are projecting at end of fiscal year 2020/2021? Director of Finance Navazio said correct. Trustee Schmitz said on agenda packet page 4, as it relates to the General Fund, one of the things that was pointed out by Moss Adams was that we, were as a District, using central services cost allocations based on budget, not based on actual. Now that we know we are half way through this year, we haven't expended the same amount which is giving us a positive variance in the General Fund; are you anticipating going back and revising those central services cost allocations so we are not overburdening the beaches and Community Services? Director of Finance Navazio said it has been based on budgets; two things, as we get closer to year end, it would be appropriate to get us closer and then modify our processes. In terms of this year's budget, it wouldn't be appropriate to allocate \$1.4 million of General Fund costs if we are only spending \$800,000.

**E.i.b. Review and discuss the Popular Capital Improvements Plan Status Report through December 31, 2020 (2<sup>nd</sup> Quarter Fiscal Year 2020/2021)**

Director of Finance Navazio gave an overview of the submitted materials included in the Board packet. Trustee Schmitz said that given what we have learned with the Moss Adams report, one of the first things we should do is to go through these and identify which are capital projects and which are maintenance to be expensed because she thinks that the majority of these things that are on this list are things that will not be capitalized but will be expensed so she thinks that we need to start diverging our language and reports to reflect what we learned with Moss Adams. Second thing that she finds disconcerting is that we have absolutely nothing in here for the pond lining. We, as a Board, have been aware of this so we have to address it and come up with a game plan. One of the things that she is concerned about, with this report, is internal controls because she has identified one particular project on this very long list that had funds instead of being charged to the project code were expensed and operationalized and that just can't be and

she thinks that we need to do a thorough review of internal controls to ensure that every dollar is being spent on a project is being reflected in that project. This was brought to your attention; it was one example but when there is one example there is usually others. She would like to know what your plan is to do a review to ensure that all expenditures are charged to their appropriate project? Director of Finance Navazio said that example was the Rosewood Creek foot bridge project and that some additional work that was deemed necessary or appropriate, that was outside the scope of the initial contract, was done and it was charged to the Parks Maintenance budget and that adjustment did happen in January. The core question – this is one of several internal control issues that we will be looking at. Every example of a potential charge to an account raises the question of what could we do to avoid that in the first place? The current process is that Staff that is responsible for the work do code the invoice and we do take a closer look at the CIP projects and there was some Staff time that should be charged to that project. We continue to work with the Staff to make sure they understand how to code their invoices and this example is for work that wasn't originally planned or budgeted and that we need to have discussion about the treatment of that work. This one has been corrected and we have to work with our venue staff on coding. Trustee Dent said those all very good questions and points. We have talked about separating rolling stock from capital projects – will we be seeing a separation next time around? Director of Finance Navazio said yes, he hopes so. There are a lot of things in this capital budget and we will address all of those as we go through the forthcoming budget. District General Manager Winquest said he did talk with Trustee Schmitz when we discovered that bridge error. We are making sure that our Staff understands the process and if it is over budget, we have a conversation to ensure everyone is on the same page and so it is transparent. He doesn't think this is a widespread issue but without going through the process it is impossible to make correction. As we find these, we will take corrective action and train Staff. Trustee Schmitz said this type of internal controls, as it relates to contracts and projects assuming Moss Adams 1 identified it as needing to be shored up, and if that is correct, what is the game plan for implementing those actions as recommended? Director of Finance Navazio said specific to this one, not sure it falls neatly into the Moss



Adams recommendation. When additional work was identified, it was bringing in another contractor to do some additional work so it wasn't a contract amendment. Staff is working on bringing back to you an implementation plan specific to the Moss Adams recommendations and you should be seeing that at your next meeting.

**E.i.c. Review, discuss and possibly adopt Resolution No. 1883 amending the District's 2020/21 budget to reflect adjustments to Capital Project carry-forward amounts included in the approved budget adopted on May 27, 2020**

Director of Finance Navazio gave an overview of the submitted materials included in the Board packet. Trustee Schmitz said she is repeating herself because they have had this conversation. However, she thinks it is important for this conversation to be had for the public as well. She brought forth to this Board's attention, at a Treasurer's report in late October/early November, that on October 14, a truck was purchased from Champion Chevrolet in the amount of \$61,883.25 and it was charged to the Utility Fund and at the time when it was brought to the attention of this Board, there was not a budget for it and she believes that Staff had indicated it should have had a carryover because of delayed delivery. She doesn't see that item here and whenever she doesn't see something, it makes her concerned about what else she is not seeing so could you please clarify that? Director of Finance Navazio said he will repeat the e-mail response he provided; please go to agenda packet page 39. Staff ordered a vehicle and a plow, they came in this fiscal year, and on agenda packet page 39, the payment is split into two line items – vehicle \$52,800 and the plow attachment \$9,000 so that is the payment. If you go to agenda packet page 46, there is the snow plow and utility truck as carryover. Staff is carrying over the funds, however what was budgeted was \$57,000 which is being carried over and the actual cost was \$4,000 over so we do have to address the \$4,000 overage in this purchase as it is not coming from carryover. Staff will address it in this year's budget and it will most likely be addressed through a separate action.

Trustee Tonking made a motion to adopt Resolution No. 1883 authorizing the District General Manager and

Director of Finance to amend the adopted Fiscal Year (FY) 2020/2021 budget to reflect adjustments to the carry-forward estimates for selected capital project budgets. Trustee Wong seconded the motion. Chairman Callicrate asked for further comments, receiving none, he called the question and the motion was passed unanimously.

**E.2. 2021/2022 Budget Workshop #2 (Presented by District General Manager Indra Winquest and Director of Finance Paul Navazio)**

**E.2.A. Workshop Topic: Preliminary Baseline Operating Budget**

District General Manager Winquest gave a brief overview followed by Director of Finance Navazio, who is leading the workshop, and he went over a PowerPoint presentation that will be sent out to the Board and posted on the website immediately following this workshop. Trustee Schmitz said, referencing page 6 of the PowerPoint presentation, that she thinks we need to roll things back and get to a point of more evaluating a zero based budget. We don't have a definition of service levels, and in COVID times, Staff has done a terrific job of defining it and what Staff is needed. She would like to peel the onion back and see what should be the base level of Staff is as we tend to throw this term of service level around. She understands starting with the baseline but has heard from her fellow Trustees and understands why we can't take that approach. Director of Finance Navazio said there have been many mentions of zero based budgets as well as fixed costs, etc. and then the number of people you are trying to serve. The closest thing is when we went through an exercise with the Board in March, April and May, we went through a scenario about a venue who couldn't open and then open with limited access and what that limited Staff was with different capacities. We can do that and will need to overlay that type of analysis as we move through that process, as this budget won't be a back to a normal budget. Zero based budget is starting from scratch every year and determining what business you are going to be in without any considerations of a variety of things. We are going to operate beaches, golf courses and a recreation center and our goal is to develop a budget that at the end of day includes the right of

level of funding to include fixed costs we have. Then the incremental costs have to be tied to the volume of users at the facilities and because IVGID continues to provide a high level of service, we will then need to have that conversation. District General Manager Winqest said he hears a lot of people talk about zero based budgeting and when asked about the definition, he generally gets different answers. A couple of assurances - when Staff start our budgets, we do look at our areas and do make the changes we need to make. What is your interpretation of zero based budgeting? Trustee Schmitz said is at the beginning of every budget period analyzing the needs and costs of every function within an organization and allocating the funds accordingly regardless of how much money has been previously been budgeted to any line item and she thinks that is what we should be doing as a Board. District General Manager Winqest confirmed that this is what Staff is doing. How would you like to see that? There are people who think every venue should break even and others that think we should be providing the same service we always have. What we are trying to do with the Board is get a better understanding of that expectation and then carry it forward. It is Staff's job to take direction, apply that and manage the District; that's what we are trying to get out of this evening. Chairman Callicrate said calling this a baseline budget would be somewhat of a misnomer rather it is reassessing what we are doing every year moving forward. There is such a thing as fixed costs so we all know we are using wrong terminology but getting to the right end results. On the line items, can we have a line item budget, 8,400 lines of activity? He is not castigating anyone but this is the time we need to say what does it take to run the District venue by venue and that needs to be put out to the community as it is not business as usual. We need to make certain that it feels more comfortable and it is not throwing away zero based budgeting, if that is what Trustee Schmitz read. We are not calling it a baseline budget as it implies applying a percentage which isn't what we are doing. We need to be using consistent terminology so we have a budget that the community can accept and not just business as usual. Baseline has a bad connotation to it, he knows we are going to get to the right budget that we need to be at. Level of service – what are the matrix we are using? There is a lot of moving points, from this point on and how we move forward and the terminology used is vital. He wants to

fulfill the campaign promises he made, want to get down to the nitty gritty, and how much it costs to run this District. District General Manager Winqest said last year we gave you a look at a line item budget and you will get a line item budget this year. There needs to be direction set in order to provide that tentative budget. The Board looks at it, and then if the Board says they are not comfortable, we will go back. Staff is taking a good look at everything and not basing it on what we need next year. He appreciates pushing that narrative because that is how we should be budgeting. Chairman Callicrate said we are working in that manner to rein in our costs and get in better balance, not where we are three years ago, trying to do the best we can, have professionals in our District, and you can disagree and we, as a Board, have to make sure there is oversight. Take stock of tonight and move forward and get a real strong handle on what we have got tonight. Director of Finance Navazio said as we get through tonight's decision he hopes that the Board will see the process that we are going through and hopes that ultimately the Board will adopt a budget that is the right one with the right service level. The Board will see the line item budget and the staffing included and then the service level, in some way, will also be included. Staff wants it adopted because it is the right budget and at the right service levels. Trustee Wong said if you step back and look at the process, whatever the name is, our Staff looks at what is right for us and that is what goes into the budget. Zero based budgeting is a complete waste of time because it doesn't take into account what you have learned. Having a blank slate would take even longer so let's take all the buzzwords out of it and listen to the process. We take a very reasonable budget to developing our budgets year over year. Director of Finance Navazio said if we are doing our job, we will have the right budget.

Director of Finance Navazio continued his presentation.

Trustee Schmitz said related to the subject of parks and things available to the public, agenda packet page 8, this spreadsheet will change considerably, correct? Director of Finance Navazio said yes and with a list of issues we are working on, etc. Largely, Parks is a facility fee program but has more community benefit so the question is how we should be funding the Parks is something we should be tackling.

Director of Finance Navazio continued his presentation.

Trustee Schmitz said we need to have a discussion about service levels and all the pricing that needs to be included such as cancelled tee times. On agenda packet page 14, you identified the depreciation that sits on the books and as a Board we should appreciate that there is more work that needs to be done to evaluate those assets and potentially have some additional write off because of what we learned through the Moss Adams report. Trustee Dent said, regarding zero based budget and defined service levels, we should be listening to our Staff and hearing that they are taking a deep dive and we did get a line item budget last year. We should be building upon that and how deep do we want to go and that is something we should discuss. It is more about us giving direction to Staff, he likes a line item budget and we need to define what that means – how many lines does that mean? This is a good discussion and he appreciates all the hard work. We are getting better but not perfect and a lot of room to grow. He wants to hear from his fellow Trustees on building on these thoughts.

Chairman Callicrate called for a break at 8:17 p.m.; the Board reconvened at 8:35 p.m.

#### **E.2.B. Workshop Topic: Framework for District Pricing Policy**

District General Manager Winquest gave a brief overview of this topic. Director of Finance Navazio gave the presentation. Chairman Callicrate asked about the tee times that are booked and then no one shows up without notice. Director of Finance Navazio said it is a valid point that has been raised. Chairman Callicrate said he understands and just doesn't want that point to be lost and that some of our overhead costs are high. Trustee Schmitz said that this shows some pretty alarming information and she thinks that one of the things that the General Manager is looking at is to work with a group of golfers because there is also an impact on the blend of residents versus non-residents and how it impacts the bottom line. If residents want to have the ability to consume all of the tee times without having that additional revenue from the nonresidents, she thinks that there are some ideas that need to be tossed around to say how do

we accomplish all of this because there is a limited capacity and it is here for the purpose of our residents and, but if we don't have the nonresidents, it has an impact on the costs so it is a difficult situation and she thinks it is something that people are going to need to roll up their sleeves and talk about ideas. District General Manager Winqest said that Staff will make recommendations and both the Board and Staff need to be in lock step as it will have an impact to some segment and it is fine line thus the need for direction. Staff can make those recommendations based on the direction provided by the Board so we can come to a consensus as we move forward. We should always focus on our residents who pay the facility fee. Director of Finance Navazio said that this season probably highlighted how important the mix was.

Director of Finance Navazio continued his presentation.

Trustee Wong asked what would the cost recovery be if you excluded picture pass beach visits so if you only have the guests? Knowing that the picture pass holder essentially pays their fee through the Recreation Fee and that we have already captured it there and she understands that the number is going to be extremely high but that she would be interested in seeing what that would look like. District General Manager Winqest said that we can get that information.

Director of Finance Navazio continued his presentation.

Trustee Wong, on agenda packet page 26, if we are going to go down the right route of setting a pricing policy we probably need to determine the percentages are for guests, residents, and nonresidents and it can be different by venue and in order for the Board to provide a framework, we need to be provided with that information. Director of Finance Navazio said by definition nonresidents need to cover 100% of operating costs, capital and debt, and if the market allows, more and that it is the guest and resident rates where it is more policy driven and then going forward, what the facility fee covers Trustee Wong said it dovetails with service levels as well and then how we do that allocation. Chairman Callicrate said nonresident rates – agree with what is in there and then more. Residents/property owners and their guests are first and foremost. Because the

property owner pays the fees, they are already incurring all the costs so guests is the tough one. You have paid to a degree, you want to give some kind of break but as far as nonresidents, charge what the market bears. Err on the side of property owners and residents and giving them the best deal possible, don't know about the guests, and nonresidents are going to pay full price. Director of Finance Navazio said when it comes to residents, he provided an explanation between capital, operating and debt and then subsidize in an appropriate way. Trustee Schmitz said that for the nonresident you have to understand what the market will bear and then what would be the profit margin and again what the market will bear. When we are finished with this page, she has a question on the third from the last page. Director of Finance Navazio said for nonresidents, they should all be profit centers. Trustee Tonking said on the profit margin that is the cool thing about dynamic pricing. She agrees with Trustee Wong's point and go venue by venue and understands that the percentage might vary. Trustee Dent said this is one of the deeper dives, definitely comes back to service levels and pricing those throughout, and he sees some areas where the resident rates could go up. Brought it up last year with ski passes, got a lot more people who purchased, thus this is a good starting point. Do some more work at the Board level and then with the service level definition we can make a dent in this. Chairman Callicrate asked Staff if you have enough or what more do you need? Trustee Schmitz said that the one for Diamond Peak, while you did the golf passes, you didn't incorporate anything relative to passes or at least she didn't understand it that way so is that a piece of information that is missing from the Diamond Peak analysis? Then on agenda packet page 45, pricing, you have done a great job of putting information together that she doesn't think that the Board has seen this level of detail which is very helpful but she thinks that our pricing should be all inclusive – we should have things listed about lessons, pros, etc. As to retail, what is our profit margin that we want from retail? And what are our discounts for retail? And what are our discounts that we are willing to sell our golf passes for online and ski passes? When we sell equipment at the end of the season, what is that type of a pricing model? What are employee pricings as it relates to all of these? What type of profit margins do we want at food & beverage operations? While she thinks this is fantastic and she

thinks it is a really great start but that she thinks we need to be all encompassing as it relates to how we are setting pricing and how, when and what are the perimeters around discounts. District General Manager Winqest said he understands where Trustee Schmitz is coming from and if the Board wants to weigh in on every product and profit margins, etc. we will need some more and very long Board workshops. Trustee Schmitz said she is for more for information that should be provided. District General Manager Winqest said at what point do you relinquish control? Trustee Schmitz said it is information and informing the Board of what it is that you are doing and that this is great stuff as you are setting policies. She also thinks it is an element of transparency and just keeping, not only the Board informed, but the public informed. Trustee Dent said that is a really good point and he likes that idea for seeing that for informational purposes which is super transparent. Chairman Callicrate said he concurs and the more information we can get out there, the better. Director of Finance Navazio said he appreciates what folks are saying, this is an introduction, it will not be changed overnight and to have comfort on the costing side. It is good to have a Board policy to say what the net return should be and it is when you have differential pricing that is where there is an implied pricing. And be clear where we are providing the same service to different users. Trustee Wong said, as a suggestion to move forward, that each venue manager work with the Director of Finance and District General Manager and define what level of services that covers and then talk about those allocations. District General Manager Winqest said we have some good information and that Staff will need to make some recommendation on cost recovery as a starting point, residents should be paying operating at a minimum, and it will be different at each venue. Nonresident pricing should cover all the costs and possibly more. What he got out of it, is resident pricing might need adjusting or that the discounts for the residents are good, in the end, what is the bottom line for overall financial objectives. Have enough to give us started on a tentative budget followed by fine tuning. We need more but we have made a good start.

**F. FINAL PUBLIC COMMENTS\***

No public comments at this time.



**G. ADJOURNMENT (for possible action)**

The meeting was adjourned at 9:46 p.m.

Respectfully submitted,

Susan A. Herron  
District Clerk

**Attachments\*:**

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

Submitted by Aaron Katz: Written statement to be included in the written minutes of this February 24, 2021 regular IVGID Board meeting – Agenda Item E(2) – Discuss and provide feedback for Staff’s “process for developing baseline budgets for each of the District’s major funds”

Submitted by Aaron Katz: Written statement to be included in the written minutes of this February 24, 2021 regular IVGID Board meeting – Agenda Item E(2) – Discuss and provide feedback for Staff’s “process for developing baseline budgets for each of the District’s major funds” – Evidence that Staff’s proposed “Baseline Budget” is the same garbage budget that they have presented to the Board for decades!

**WRITTEN STATEMENT TO BE INCLUDED IN THE WRITTEN MINUTES OF THIS FEBRUARY 24, 2021 REGULAR IVGID BOARD MEETING – AGENDA ITEM E(2) – DISCUSS AND PROVIDE FEEDBACK FOR STAFF’S “PROCESS FOR DEVELOPING BASELINE BUDGETS FOR EACH OF THE DISTRICT’S MAJOR FUNDS”**

**Introduction:** Here staff tell the Board and the public that this agenda item represents the second 2021-22 workshop insofar as “developing baseline budgets for each of the District's major funds” and in particular “to 1) provide the Board with an update on the initial budgets being developed for FY2021/2022...2) review and discuss a framework for updating the District's pricing structure, consistent with Board Policy 6.1, to ensure that rates charged for access to District venues and activities are set to fully-recover the cost of providing services while also establishing appropriate discounts for District parcel owners,”<sup>1</sup> and, “seeking feedback from the Board of Trustees related(,in part,) to 1) development of the District's tentative budget - which will be presented for Board approval in early April.”<sup>2</sup>

Given staff’s “framework” for developing a 2021-22 budget is flawed, I object. And that’s the purpose of this written statement.

**Agenda Item E(2)(A):** identifies as a “Workshop Topic: Preliminary Baseline Operating Budget.” Here staff tell the Board and the public that it intends to “provid(e)...the Board with an update on the development of the District's budget for FY2021/22.” It explains it “will review the assumptions being used to develop...initial ‘baseline’ revenue and expenditure estimates for each major fund<sup>1</sup> supporting district operations and, in so doing, it is seeking Board feedback. The initial budget projections are based on assumptions related to venue utilization, fees and charges for services, as well as staffing and service levels supporting District activities.”<sup>3</sup> Disingenuously, staff represent that “Board feedback on these issues is an important element to ensure that the budget to be presented for Board approval is consistent with Board direction.”<sup>4</sup>

**Staff’s “Assumptions” Are Based on “Baseline Budgeting:”** Staff’s assumptions appear at pages 51-52 of the 2/24/2021 Board packet. This outline is founded upon the same flawed assumptions which were first presented to the Board and the public at its first 2021-22 Budget Workshop which took place on January 20, 2021<sup>5</sup>. ***Namely, baseline budgeting.***

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<sup>1</sup> See page 47 of the packet of materials prepared by staff in anticipation of this February 24, 2021 Board meeting [[https://www.yourtahoeplace.com/uploads/pdf-ivgid/0224\\_-\\_Regular\\_-\\_Searchable.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/0224_-_Regular_-_Searchable.pdf) (“the 2/24/2021 Board packet”).]

<sup>2</sup> See page 50 of the 2/24/2021 Board packet.

<sup>3</sup> See pages 47-48 of the 2/24/2021 Board packet.

<sup>4</sup> See page 48 of the 2/24/2021 Board packet.

<sup>5</sup> Go to [https://www.yourtahoeplace.com/uploads/pdf-ivgid/0120\\_-\\_Regular\\_-\\_Searchable.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/0120_-_Regular_-_Searchable.pdf).

**At the Board's January 20, 2021 Workshop #1 Meeting I Submitted a Written Statement Which Outlined the Many Flaws Associated With "Baseline Budgeting:"**<sup>6</sup> I made the points that: "if you don't know the particulars of what expenditures are included within (the budget's) Services and Supplies (expenditure entry) for example, you know nothing;" and, "how can you approve a proposed budget which doesn't disclose the particulars?" And as a result, I suggested that: "staff's proposal (that) the Board begin with 'baseline expenditure assumptions' should be *soundly rejected* right from the start;" and, that "once staff return with the documentation I suggest, assuming they do, we can have an intelligent discussion. But not before!"<sup>7</sup> I reiterate all of this here and now because obviously, our staff have ignored all of my recommendations.

**On May 24, 2016, at an IVGID Candidate Forum, Trustee Dent Represented He Was Committed to Zero Based Budgeting:** In response to the question whether "the \$830 Rec Fee...is... reasonable," Matt answered as follows: "Perhaps. But how do we really know until we get down and get to a zero based budget and see exactly what it takes to finance the community services that this community is requesting."<sup>8</sup>

**On July 9, 2018, at an IVGID Candidate Forum, Chairperson Callicrate Represented He Was Committed to Zero Based Budgeting:** In response to a question concerning the budget process, Tim answered as follows: "There's a policy laid out for that. Policy 5.1.0. It starts with a strategy. So the first step is to establish a strategy...From there I would say, *since we are going to have a zero based budget*, we determine...what our absolute expenses are that we need to have and then fund each of the business units accordingly."<sup>9</sup>

**On July 9, 2018, at an IVGID Candidate Forum, Trustee Schmitz Represented She Was Running on a Platform For IVGID Trustee With Chairperson Callicrate:** In response to a question concerning Sara's ability to act independently given her prior statements that she would side with Trustees Dent and Callicrate to create a three trustee majority, was as follows: Although she admitted that the trustees "who (she) ha(s the) most similarities...when (she) think(s) about issues, address(es)

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<sup>6</sup> See pages 169-173 of the packet of materials prepared by staff in anticipation of the Board's January 20, 2021 meeting [[https://www.yourtahoeplace.com/uploads/pdf-ivgid/0120\\_-\\_Regular\\_-\\_Searchable.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/0120_-_Regular_-_Searchable.pdf) ("the 1/20/2021 Board packet")].

<sup>7</sup> See page 173 of the 1/20/2021 Board packet.

<sup>8</sup> See 7:23-7:41 at <https://www.youtube.com/watch?v=BHSuMtEJmKU&list=PLOf99SMegGguOnwo4OuhDg8gW9YKoNnWe&index=5>.

<sup>9</sup> See 3:08-3:45 at [https://www.youtube.com/watch?v=snUU7--\\_kdk&list=PLOf99SMegGguOnwo4OuhDg8gW9YKoNnWe&index=8](https://www.youtube.com/watch?v=snUU7--_kdk&list=PLOf99SMegGguOnwo4OuhDg8gW9YKoNnWe&index=8).

issues...tends to be Trustees Callicrate and Dent,"<sup>10</sup> that doesn't mean she will be a blind follower. Notwithstanding, Tim's campaign issues were Sara's including zero based budgeting.

**On July 9, 2018, at an IVGID Candidate Forum, Chairperson Callicrate Represented He Would Push For Zero Based Budgeting If/When There Were a Majority of Trustees Aligned With His Budgetary Philosophies:** His statements were as follows: "I have been in the minority what I campaigned on versus what I have accomplished. It's been very frustrating and very difficult...I'm going to stick to my guns regarding how I feel about the finances such as zero based budgeting and things of that nature...The budgeting process has been difficult. I understand how it works...Should I find myself in the majority *I'll deal with it at that point.*"<sup>11</sup>

Be careful with what you wish for because *the time has come!*

**On July 9, 2018, at an IVGID Candidate Forum, Chairperson Callicrate Represented He Had Contempt For Those Trustees Who Change Their Campaign Issues Once Elected to Office:** Tim's comments on this issue were as follows: "Going back to what my original campaign promises were as well as some current trustees who campaigned on one thing and who have seemed to have strayed... and now they've decided to, well that's really not what I want to do, I find that very disingenuous and that really calls into question a person's integrity. I campaigned and was elected and made it through the primary on what my vision is and what I'm attempting to accomplish."<sup>12</sup>

**Now That You Are in the Majority Tim, the Public Expects You Will Do as You Represented You Would Do Two Years Ago:** And that means adopting a zero based budget!

**In Contrast, What's Before the Board is ABSOLUTE GARBAGE:** According to staff, what's before the Board is a "framework...to ensure...*consistent with Board Policy 6.1...*that rates charged for access to District venues and activities (b)e set to fully-recover the cost of providing services while also establishing appropriate discounts for District parcel owners." But Policy 6.1.0 does not require budgeted revenues cover the costs of budgeted services to be provided. Rather, ¶2.2 of Policy 6.1.0<sup>13</sup> declares that "the District shall (merely) adopt (a) process that identifies the manner in which fees and charges for services are set and *the extent to which they cover the cost of the service provided.*" Although ¶1.1 of Policy 6.1.0<sup>14</sup> declares that "the District *shall* adopt a process that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs," there's no requirement a balanced budget actually be adopted. And given staff's idea of a

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<sup>10</sup> See 40:25- at [https://www.youtube.com/watch?v=fcpXtHUg\\_tU&t=1457s](https://www.youtube.com/watch?v=fcpXtHUg_tU&t=1457s).

<sup>11</sup> See 15:20-16:30 at [https://www.youtube.com/watch?v=fcpXtHUg\\_tU&t=1455s](https://www.youtube.com/watch?v=fcpXtHUg_tU&t=1455s).

<sup>12</sup> See 36:26-36:53 at <https://www.youtube.com/watch?v=Z4x15iVeejw>.

<sup>13</sup> See page 18 at [https://www.yourtahoeplace.com/uploads/pdf-ivgid/IVGID\\_Board\\_Policies\\_3.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/IVGID_Board_Policies_3.pdf).

<sup>14</sup> See page 17 at [https://www.yourtahoeplace.com/uploads/pdf-ivgid/IVGID\\_Board\\_Policies\\_3.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/IVGID_Board_Policies_3.pdf).

balanced budget is to budget to overspend, and then adopt Recreation (“RFF”) and Beach (“BFF”) Facility Fees which subsidize that overspending to the extent it results in a “balanced” budget.

**Staff Arrogantly Refuse to Proffer a Zero Based Balanced Budget:** And since this is our GM’s mantra, and Finance Director Navazio is such a willing wingman, we see Mr. Navazio thinks he’s

**Our Real Problem. Staff Thinks the Board Works For Staff Rather Than the Opposite:** So really we have before us that plagues nearly everything that goes on here in IVGIDville. And that's "us versus them." Us is the public. Versus them staff. And the two operate on completely different agendas.

**IVGID Has NEVER budgeted "to Fully Recover the Costs of Providing Services:"** at ANY of our recreational venues. NEVER! So who's kidding who? To those who disagree and point to the positive cash flow generated the last couple of years at Diamond Peak, you haven't included the intensive capital costs we incur in the mix. Once you throw expenses in such as in excess of \$4 million for the culvert to nowhere, or the projected \$5 million plus for repair/replacement of Ski Way, or snow plows at nearly \$500K each, *THERE IS NO POSITIVE CASH FLOW*. Got it?

**Conclusion:** So please do as you represented you would do Trustees Callicrate, Dent and Schmitz. That’s *DON'T* even allow Mr. Navazio to make his “baseline budget” presentation! It is pure garbage. Instead, tell him and our GM in the most direct of terms that a majority of the Board is not interested in staff's agenda, but the public's. And that means a proposed zero based budget with each of the thousands of proposed line item expenditures displayed so the public and the Board can question the necessity or appropriateness of any. And until staff comply with the Board's directive, there's nothing for it to present.

If you don’t do as I suggest, then let me tell you what’s going to happen. According to NRS 354.596(2)(a) the Department of Taxation (“NDOT”) requires submittal of a tentative budget “on or before April 15,” 2021. Yet so far, staff hasn’t even prepared a proposed tentative budget for the Board and the public to examine. In fact, they have announced they won’t be approving the same until after 6:00 P.M. at the Board’s April 14, 2021 meeting<sup>15</sup>; the evening before the tentative budget must be filed with the NDOT. When the public and hopefully members of the Board object, staff is going to tell us to go ahead and approve what they’ve produced because the tentative budget is really nothing more than a “placeholder” to comply with the NRS. The Board will be told it is free to modify the tentative budget before a final budget is due. In other words, the same garbage we went through insofar as approval of the 2020 Comprehensive Annual Financial Report (“the 2020 CAFR”) was concerned.

Given NRS 354.598(2) mandates IVGID adopt a final budget on or before June 1, 2021, when will the Board have the opportunity to modify staff’s proposed tentative budget? Again according to

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<sup>15</sup> See page 11 of the packet of materials prepared by staff in anticipation of the Board’s February 10, 2021 meeting [[https://www.yourtahoeplace.com/uploads/pdf-ivgid/021021\\_-\\_Regular\\_-\\_Searchable.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/021021_-_Regular_-_Searchable.pdf) (“the 2/10/2021 Board packet”).]

staff, there will only be one public hearing between April 14 and June 1 of 2021, and that will be on May 26, 2021 at 6:00 P.M.<sup>15</sup> By then it will be too late to request changes to the proposed final budget because NRS 354.598(1) requires a prior public hearing and adequate time will not exist to schedule and notice the same prior to June 1, 2021. In other words, again, the Board will have been needlessly placed under the gun to rubber stamp staff's flawed budget. Because if it isn't done on May 26, 2021, the District will be just as non-compliant as it was on January 20, 2021 when the Board was "under the gun" to approve a faulty 2020 CAFR. And we can't allow this to happen, can we?

So a flawed budget will be adopted by the Board and then sometime in the future someone will come across all of the faulty spending that I have come across. And that someone will complain to the Board and staff. And at that time they will be told: "but these expenses were budgeted." And how would any of us know they were budgeted given staff has refused to produce a line-by-line disclosure of each and every proposed expenditure which has gone into the budget? And the bottom line answer will be *you've got no one to blame but yourselves!*

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 FEBRUARY 24, 2021 REGULAR IVGID BOARD MEETING – AGENDA ITEM E(2) – DISCUSS AND PROVIDE FEEDBACK FOR STAFF’S “PROCESS FOR DEVELOPING BASELINE BUDGETS FOR EACH OF THE DISTRICT’S MAJOR FUNDS” – EVIDENCE THAT STAFF’S PROPOSED “BASELINE BUDGET” IS THE SAME GARBAGE BUDGET THEY HAVE PRESENTED TO THE BOARD FOR DECADES!**

**Introduction:** Here staff tell the Board and the public that this agenda item represents the second 2021-22 workshop insofar as “developing baseline budgets for each of the District's major funds.” On the eve of this meeting staff came up with a 48 page M/S power point “budget workshop presentation.”<sup>1</sup> Given page 8 of this power point presentation is really a summary of Mr. Navazio’s “preliminary baseline FY 2021-22 budget,”<sup>2</sup> and I take issue with the same, this is the purpose of this written statement.

**Mr. Navazio’s Summary:** Take a close look at Exhibit “A” to this written statement. First of all, it is labeled as “Development of (a) FY 2021-22 Budget.” Then at pages 9-12 of the power point presentation, Mr. Navazio breaks down each fund depicted on the summary and expressly includes a detail column labeled “preliminary baseline FY2021-22.” In other words, **there can be no doubt that Mr. Navazio’s summary is in truth and in fact staff’s proposed 2021-22 baseline budget!**

Furthermore, no one should be under the belief this summary is simply a proposed operational budget devoid of capital or debt service. An inspection of the summary reveals that numbers for capital as well as debt service are expressly included.

**Aaron’s Summary:** IMO staff’s representations of the District’s financial matters is deceitful. And Exhibit “A” is a perfect example. The simple fact of the matter is that essentially everything staff does is wasteful financially, and *loses money!* But it’s not so easy to see when examining documents such as Exhibit “A.”

So I decided to create my own summary<sup>3</sup>. Although from experience I don’t believe staff’s financial reporting, for purposes of this exercise I will accept that reporting as gospel. And my summary does not include the District’s Utility Fund because here the focus of my examination is recreation and the beaches.

In any event, my summary subtracts budgeted expenditures (“uses”) regardless of what they are called, from revenues (“sources”) on a venue-by-venue basis. I then deduct subsidies and transfers which mask the true losses these venues operate at. And at the bottom of each column, I list

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<sup>1</sup> Go to [https://www.yourtahoeplace.com/uploads/pdf-ivgid/F.2.2\\_-\\_Budget\\_Workshop\\_Presentation\\_022421.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/F.2.2_-_Budget_Workshop_Presentation_022421.pdf).

<sup>2</sup> This summary is attached as Exhibit “A” to this written statement.

<sup>3</sup> My summary is attached as Exhibit “B” to this written statement.

the bottom line gain or (loss). This way it's very easy to see how each venue is performing financially, and the real subsidy required for break even operation.

**We Lose Money at Essentially Every Recreational Venue But For Diamond Peak:** As the reader can see, *a lot* of money!

**We Really Lose Money at Diamond Peak:** Nearly \$10.15 million of sales and fee revenues, at barely \$650,000 of positive cash flow. But when it's all said and done, there's really no positive cash flow. Let me provide two examples.

**The Culvert to Nowhere Project:** At the IVGID Board's May 23, 2018 meeting staff identified this Diamond Peak project as the replacement of failing 72" diameter buried corrugated metal pipe culvert ("CMP") "installed by Boise Cascade in the 1960s to facilitate construction of the base area of Ski Incline (now called Diamond Peak)<sup>4</sup>. In other words, facilities for storm drainage; drainage which according to staff "the District is solely responsible for...maint(aining) and upkeep(ing) ...(because) this culvert is owned by the District." Okay, at what cost, and payable from what source?

Since \$767,047.33 of the previous fiscal year's (2017-18's) \$1,367,500 budget for this project had been spent, as of May 23, 2017 \$600,452.67 remained unspent. And now that an additional \$3,785 million was budgeted in the District's 2018-19 Capital Improvement Plan ("CIP") budget, staff was looking to spend north of *\$4.5 million on this project!* Okay, this answers the cost question.

Now where did the money come from? Given this CIP was assigned to the District's Community Services Special Revenue Fund, this fund is consistently budgeted to overspend nearly \$6 million annually, overspending is subsidized by the Recreation Facility Fee ("RFF"), and the only ones (*involuntarily*) assessed the RFF are the owners of each of the approximate 8,200 non-exempt District parcels, at the end of the day *local property owners* were the ones ultimately compelled to pay for this project.

And amortizing these costs by the \$651,154 of positive cash flow Mr. Navazio has budgeted for FY2021-22, we see that the costs associated with just this single project have eaten up nearly seven (7) years worth of yearly positive cash flows assuming *arguendo* we had this many, which *we didn't!*

**The "Ski Way and Diamond Peak Parking Lot Project" aka the Private Road to Tyrolean Village:** At the IVGID Board's October 14, 2020 meeting staff identified this project as "repair and/or renovation to Ski Way and Diamond Peak parking lot."<sup>5</sup> According to staff, CIP "budgeting going back to at least 2012 ha(s) included (this)...project. Since then a "series of repair and maintenance projects

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<sup>4</sup> See pages 139-169 of the packet of materials prepared by staff in anticipation of the Board's May 23, 2018 meeting ("the 5/23/2018 Board packet").

<sup>5</sup> See pages 10-67 of the packet of materials prepared by staff in anticipation of the Board's October 14, 2020 meeting [[https://www.yourtahoeplace.com/uploads/pdf-ivgid/1014\\_-\\_Regular\\_-\\_Searchable.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/1014_-_Regular_-_Searchable.pdf) ("the 10/14/2020 Board packet")].



have occurred to extend the asphalt life of Ski Way and Diamond Peak parking lot, but the growing annual cost of the pavement repair and maintenance projects (allegedly) support a reconstruction project in the near future.”<sup>6</sup> But as the reader will see, this project is a whole lot more than simply repairing a Diamond Peak parking lot!

Incline Village’s developer [Crystal Bay Development Co. (“CBDC”)] had a vision for Incline Village as “a master-planned vacation resort community(, and)...Ski Incline, now known as Diamond Peak Ski Resort, was one of Art Wood’s cornerstone recreation amenities in his master-planned “Pebble Beach of the Sierra.”<sup>7</sup> “In 1966 Luggi Foeger, a renowned Austrian-born ski resort consultant, was hired by Boise Cascade Home & Land Corporation (“Boise-Cascade”) to design and build (what we know today as Diamond Peak. And)...on November 19, 1966, just four months after construction began...Ski Incline opened its doors.” Ski Incline originally consisted of approximately 367 acres to the east of Ski Way running from the intersection with First Green Drive, meandering in a northeasterly direction to the current entrance into Tyrolean Village<sup>8</sup> at the intersection with Tirol Dive.

In 1972 Boise-Cascade sold Ski Incline to Japan Golf Promotions (U.S.A.), Inc. (“JGP”). Part of the sale included the subject portions of Ski Way. And in 1976 JGP sold Ski Incline<sup>9</sup> together with its two Incline Village golf courses to IVGID. And part of the sale included the subject portions of Ski Way<sup>10</sup>. Therefore knowingly or irresponsibly, IVGID became the owner of this private portion of Ski Way. And as a result, the public became responsible for its maintenance and repair<sup>11</sup> (thank you IVGID staff).

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<sup>6</sup> See page 11 of the 10/14/2020 Board packet.

<sup>7</sup> See <https://www.diamondpeak.com/about/diamond-peak-history>.

<sup>8</sup> A PUD development consisting of 322 or more privately owned detached dwelling units.

<sup>9</sup> The name Ski Incline was changed to “Diamond Peak at Ski Incline” in 1985 when the upper mountain was developed and the mile-long Crystal Quad chairlift was installed. As time passed, the name “Diamond Peak” stuck and “Ski Incline was retired to the history books.”<sup>7</sup>

<sup>10</sup> Although most of Ski Way from its intersection with today’s Country Club Drive has been dedicated to Washoe County and is therefore a public road or highway. However, the portion to the north of the intersection with today’s First Green Drive all the way to the entrance to Tyrolean Village isn’t.

<sup>11</sup> As evidence of a “consciousness of guilt,” some months after IVGID acquired Ski Incline, IVGID staff investigated whether the subject portion of Ski Way could be dedicated to the County (see the minutes of the IVGID Board’s February 24, 1977 meeting). But at the IVGID Board’s May 26, 1977 meeting, former GM McMillin reported to the Board that the county would not accept dedication because the road did not meet county specifications. Yet rather than attempting to bring this portion of Ski Way up to county standards, staff have allowed it to remain as a private road. Which means that because of NRS 318.145 (go to <https://www.leg.state.nv.us/nrs/nrs-318.html#NRS318Sec145>), the District is responsible for its maintenance and repair.

Okay, so at what cost and payable from what source? Putting aside the hundreds of thousands of dollars in annual maintenance and repair band aids local property owners have incurred over the years since 1976, what is going to be the cost of the current ticking time bomb? According to staff this project has a budget of \$300,000 for design in the 2020-21 CIP, and another \$3.6 million for actual construction in the 2021-22 CIP<sup>12</sup>. The ultimate price tag for this project may ultimately turn out to be a whopping \$5.3 million<sup>13</sup>! And where does the money come from to pay for this project? Like the culvert to nowhere project (see discussion above), this CIP has been assigned to the District's Community Services Special Revenue Fund. This is the same fund which is budgeted to overspend nearly \$6 million annually, whereby deficiencies such as this one are subsidized by the RFF each of the approximate 8,200 non-exempt District parcels is *involuntarily* assessed. Therefore ultimately, *local property owners* will be the ones compelled to pay for the repair and renovation of Ski Way.

And amortizing these costs by the \$651,154 of positive cash flow Mr. Navazio has budgeted for FY2021-22, we see that the costs associated with just this single project have eaten up over another eight (8) years worth of yearly positive cash flows assuming *arguendo* we had this many, which *we didn't!*

**To Those of You Who Call Diamond Peak a "Cash Cow," I Suggest You Get Yourselves a Different Cow!**

**Rather Than Cutting Expenses, Mr. Navazio's Proposed FY2021-22 Baseline Budget Seeks Nearly \$14.5 Million of Subsidies From Nearly Every Source Imaginable:** This is insane! If staff cannot make meaningful cost cuts, it's time to hire new staff. If staff cannot operate the public's recreational and beach facilities at a break even cash flow, or some sort of profit, then we need to dispose of these facilities. But this over the top overspending simply needs to end!

**And Now the Reader Can Clearly and Unambiguously See That Essentially Every One of the Public's Recreational Facilities Operates at a Loss:**

**Conclusion:** So as the reader can see, Mr. Navazio's proposed budget is GARBAGE! Given NRS 354.596(2)(a) requires submittal of a tentative budget to the Department of Taxation "on or before April 15," 2021, and what has been presented to date is unworthy of consideration, I predict staff is going to tell us to go ahead and approve what they've produced because the tentative budget is really nothing more than a "placeholder" intended to comply with the NRS. In other words, the same garbage we went through insofar as approval of the 2020 Comprehensive Annual Financial Report ("the 2020 CAFR") was concerned.

Given NRS 354.598(2) mandates IVGID adopt a final budget on or before June 1, 2021, when will the Board have the opportunity to modify staff's proposed tentative budget? Again according to staff there will only be one public hearing between April 14 and June 1 of 2021, and that will be on

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<sup>12</sup> See page 12 of the 10/14/2020 Board packet.

<sup>13</sup> See page 56 of the 10/14/2020 Board packet.

May 26, 2021 at 6:00 P.M. But by then it will be too late to request changes to the proposed final budget because NRS 354.598(1) requires a prior public hearing and adequate time will not exist to schedule and notice the same prior to June 1, 2021. In other words, again, the Board will have been needlessly placed under the gun to rubber stamp staff's flawed budget. Because if it isn't done on May 26, 2021, the District will be just as non-compliant as it was on January 20, 2021 when the Board was "under the gun" to approve a faulty 2020 CAFR. And we can't allow this to happen, can we?

So a flawed budget will be adopted by the Board and then sometime in the future someone will come across all of the faulty spending that I have come across. And that someone will complain to the Board and staff. And at that time they will be told: "but these expenses were budgeted." And how would any of us know they were budgeted given staff has refused to produce a line-by-line disclosure of each and every proposed expenditure which has gone into the budget? And the bottom line answer will be *you've got no one to blame but yourselves!*

So please don't go down this road. Instead instruct staff that you will be budgeting for \$X.00 *LESS* in expenses than Mr. Navazio has proposed. That way they should do their job of making the numbers work.

And to those asking why our RFF/Beach Facility Fee ("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!

**EXHIBIT "A"**

# Status of Development of FY2021/22 Budget

	General Fund	Utility Fund	Golf Champ	Golf Mountain	Facilities	Diamond Peak	Recreation	Community Services Admin	Parks	Tennis	Community Services Fund(s)	Beach Fund	Internal Services Fund
<b>Sources:</b>													
Ad Valorem	1,770,000												
Consolidated Tax	1,755,000												
Charges for Services	2,400	12,402,440	3,767,485	922,166	1,833,022	10,148,735	1,364,897	(738,000)	60,615	158,100	17,517,019	1,611,800	
Facility Fee - Operations			32,808	221,454	41,010	(1,640,400)	1,222,098	1,041,164	729,978	114,828	1,762,940	658,455	
Facility Fee - Capital			524,992	697,255	172,263	967,954	918,736	53,320	266,598	8,203	3,609,321	302,172	
Facility Fee - Debt			188,669	-	180,466	24,609	8,203	-	6,152	2,051	410,150	7,748	
Invest Inc.	131,400	148,500				22,500		30,000			52,500	11,250	
Misc. Rev.				40,890		77,240			12,100		130,230		
Intergovernmental - Operating Grants		31,000					17,000		17,800		34,800		
Interfund		241,400				14,985			84,926		99,911		3,333,181
Central Services Revenue	1,471,440												
Use of Fund Balance		1,278,551				530,996					530,996	2,522,888	
<b>Total Sources</b>	<b>5,130,240</b>	<b>14,101,891</b>	<b>4,513,954</b>	<b>1,881,765</b>	<b>2,226,761</b>	<b>10,146,619</b>	<b>3,530,934</b>	<b>386,484</b>	<b>1,178,169</b>	<b>283,182</b>	<b>24,147,867</b>	<b>5,114,313</b>	<b>3,333,181</b>
<b>Uses:</b>													
Salaries & Wages	2,222,907	3,106,239	1,309,128	449,026	490,303	3,129,501	1,159,077	154,058	336,304	107,993	7,135,390	893,972	1,531,893
Employee Benefits	1,130,916	1,604,628	387,233	127,343	196,870	1,092,840	354,382	60,409	86,333	18,219	2,323,628	237,063	810,947
<b>Total Personnel</b>	<b>3,353,823</b>	<b>4,710,867</b>	<b>1,696,361</b>	<b>576,369</b>	<b>687,173</b>	<b>4,222,341</b>	<b>1,513,459</b>	<b>214,467</b>	<b>422,637</b>	<b>126,212</b>	<b>9,459,018</b>	<b>1,131,035</b>	<b>2,342,840</b>
Professional Services	347,975	132,050	7,980	4,170	1,170	23,700	5,850		1,170	585	44,625	17,850	9,000
Services & Supplies	774,629	2,058,091	976,232	355,319	451,107	2,061,292	587,168	79,068	313,235	64,885	4,888,306	563,926	893,921
Insurance	53,100	203,880	75,180	17,280	11,820	212,700	55,920		13,320	3,540	389,760	37,980	11,100
Utilities	106,685	932,594	212,630	91,760	55,930	627,070	144,640	8,604	96,485	8,135	1,245,254	139,144	11,520
Cost of Goods Sold			722,975	105,100	429,400	529,100	44,559		15,500		1,846,634	100,500	
Central Services Cost	555,555	380,580	254,820	58,140	27,420	417,600	133,440	21,300	45,540	13,680	971,940	118,920	
Defensible Space		100,000						100,000			100,000		
<b>Total Services &amp; Supplies</b>	<b>1,282,389</b>	<b>3,807,195</b>	<b>2,249,817</b>	<b>631,769</b>	<b>976,847</b>	<b>3,871,162</b>	<b>971,577</b>	<b>208,972</b>	<b>469,750</b>	<b>106,325</b>	<b>9,486,519</b>	<b>978,320</b>	<b>925,541</b>
<b>Total Operating Uses</b>	<b>4,636,212</b>	<b>8,518,062</b>	<b>3,946,178</b>	<b>1,208,138</b>	<b>1,664,020</b>	<b>8,093,803</b>	<b>2,485,036</b>	<b>423,439</b>	<b>892,387</b>	<b>232,537</b>	<b>18,945,537</b>	<b>2,109,355</b>	<b>3,268,381</b>
General Fund Cap. Exp.	390,100												
Utility Fund Cap. Exp.		4,940,700											
Comm. Services Cap. Exp.			522,980	694,500	174,400	1,498,950	917,050	53,000	267,200	5,000	4,133,080		
Beach Cap. Exp.												2,825,060	
Internal Services Cap. Exp.													64,800
<b>Total Capital Expenditures</b>	<b>390,100</b>	<b>4,940,700</b>	<b>522,980</b>	<b>694,500</b>	<b>174,400</b>	<b>1,498,950</b>	<b>917,050</b>	<b>53,000</b>	<b>267,200</b>	<b>5,000</b>	<b>4,133,080</b>	<b>2,825,060</b>	<b>64,800</b>
Utility Debt Service		643,129											
Comm. Serv. Debt Service			183,519		175,191	19,553	2,229		2,972	1,291	384,755		
Beach Debt Service												6,296	
<b>Total Debt Service</b>	<b>-</b>	<b>643,129</b>	<b>183,519</b>	<b>-</b>	<b>175,191</b>	<b>19,553</b>	<b>2,229</b>	<b>-</b>	<b>2,972</b>	<b>1,291</b>	<b>384,755</b>	<b>6,296</b>	<b>-</b>
<b>Total Uses</b>	<b>5,026,312</b>	<b>14,101,891</b>	<b>4,652,677</b>	<b>1,902,638</b>	<b>2,013,611</b>	<b>9,612,306</b>	<b>3,404,315</b>	<b>476,439</b>	<b>1,162,559</b>	<b>238,828</b>	<b>23,463,372</b>	<b>4,940,711</b>	<b>3,333,181</b>
<b>Net Sources (Uses)</b>	<b>103,928</b>	<b>0</b>	<b>(138,724)</b>	<b>(20,873)</b>	<b>213,150</b>	<b>534,313</b>	<b>126,619</b>	<b>(89,955)</b>	<b>15,610</b>	<b>44,354</b>	<b>684,494</b>	<b>173,602</b>	<b>0</b>

**EXHIBIT "B"**

**Summary of Subsidies to Staff's Proposed FY2021-22 Baseline Budget**

	<b>General Fund</b>	<b>Golf Champ</b>	<b>Golf Mountain</b>	<b>Facilities</b>	<b>Diamond Peak</b>	<b>Recreation</b>	<b>Community Services Admin</b>	<b>Parks</b>	<b>Tennis</b>	<b>Beach</b>
Total Sources	\$ 5,130,240	\$ 4,513,954	\$ 1,881,765	\$ 2,226,761	\$ 10,146,619	\$ 3,530,934	\$ 386,484	\$ 1,178,169	\$ 283,182	\$ 5,114,313
Total Uses	\$ 5,026,312	\$ 4,652,677	\$ 1,902,638	\$ 2,013,611	\$ 9,612,306	\$ 3,404,315	\$ 476,439	\$ 1,162,559	\$ 238,828	\$ 4,940,711
Net Sources	\$ 103,928	\$ (138,723)	\$ (20,873)	\$ 213,150	\$ 534,313	\$ 126,619	\$ (89,955)	\$ 15,610	\$ 44,354	\$ 173,602
RFF Subsidy		\$ 746,469	\$ 918,709	\$ 393,739	\$ 992,563	\$ 2,149,037	\$ 1,094,484	\$ 1,002,728	\$ 125,082	
BFF Subsidy										\$ 968,375
Cen Svcs Subsidy	\$ 1,471,440									
Transfers					\$ 1,640,400					
Fund Balance Use	\$ 1,578,551				\$ 530,996					\$ 2,522,888
<b>Net Gain/(LOSS)</b>	<b>\$ (3,153,919)</b>	<b>\$ (885,192)</b>	<b>\$ (939,582)</b>	<b>\$ (180,589)</b>	<b>\$ 651,154</b>	<b>\$ (2,022,418)</b>	<b>\$ (1,184,439)</b>	<b>\$ (987,118)</b>	<b>\$ (80,728)</b>	<b>\$ (3,317,661)</b>

	<b>Total Subsidies</b>
RFF Subsidy	\$ 5,782,411
BFF Subsidy	\$ 968,375
Diamond Peak Transfers	\$ 1,640,400
Cen Svcs Subsidy	\$ 1,471,440
Fund Balance Subsidy	\$ 4,632,435
<b>Totals -</b>	<b>\$ 14,495,061</b>