

Minutes**WORK SESSION OF MARCH 26, 2001
Incline Village General Improvement District**

A work session of the Board of Trustees of the Incline Village General Improvement District was called to order by Chairman Kinsman in the Tyrolia Homeowners Clubhouse at the top of Altdorf Terrace, Incline Village, Nevada, at 8:30 a.m. on Monday, March 26, 2001.

A. PLEDGE OF ALLEGIANCE

The pledge of allegiance to the flag was recited.

B. ROLL CALL

Present were Trustees Syd Brosten, Ted Fuller, Kenny Kinsman, Gail Krolick and Bob Wolf. Also present were General Manager John Danielson, General Counsel Scott Brooke, Dr. Bruce Heller of Strategic Leadership Solutions, Inc., Controller Ramona Cruz, Public Works Director Dan St. John, Director of Community Services Doug Doolittle, Executive Secretary Anne Vorderbruggen, Mark Buckler, Gene Brockman, and others.

C. APPROVAL OF AGENDA

The agenda for the work session of March 26, 2001, was approved as published.

D. PUBLIC COMMENTS

Mark Buckler discussed the history of tennis in Incline Village. He noted that a recent survey indicated that the tennis courts are over-utilized and, with the sale of Lakeside Tennis, there will be only seven public tennis courts in Incline village. Mr. Buckler stated that tennis courts are usually provided to the residents of a community, and he spoke against a multi-purpose facility as presently proposed.

E. BOARD GOALS AND OBJECTIVES

General Manager Danielson introduced Dr. Bruce Heller with Strategic Leadership Solutions, Inc. of Encino, California. Dr. Heller said that his specialty is in the area of leadership development, executive assessment and coaching and working with leadership teams.

Dr. Heller reviewed the agenda for the workshop, consisting of introductions; identification of individual objectives; identification of key Board values; identification of key member values; 90-day, one-year, and three-year goals; and identifying the next steps.

Dr. Heller led the Board in a brainstorming session on why the Board of Trustees exists; who their customers and constituents are; what the customers and constituents want from the Board of Trustees; their reasons for being on the Board of Trustees; what is important for them to accomplish while on the Board; the alignment of their individual values to the values of the Board of Trustees; 90-day, one-year, and three-year goals.

It was the consensus of the Board that the top three 90-day goals should include communication strategy, a water conservation plan, and the initiation of dialogue regarding the beach access issue. Other 90-day goals included making a decision on the Chateau and the

Recreational Facilities Master Plan; increasing intra-board communication; decision-making methodology; and completion of a salary survey.

Dr. Heller suggested that the goals identified by the Trustees be regularly reviewed at Board meetings and the progress of the goals evaluated.

The work session was adjourned at 12:15 p.m., to be reconvened in the IVGID boardroom at 1:15 p.m.

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Chairman Kinsman called the work session back to order in the boardroom of the District at 893 Southwood Boulevard, at 1:20 p.m. on Monday, March 26, 2001. Present were Trustees Syd Brosten, Gail Krolick, Ted Fuller, Kenny Kinsman, and Bob Wolf. Also present were General Manager John Danielson, Marty Johnson of Johnson Consulting Group, Controller Ramona Cruz, Community Services Director Doug Doolittle, Information Technology Manager Tim Hagan, Rick Adair of the *North Lake Tahoe Bonanza*, Golf Manager John Hughes, Engineering Manager Joe Bergerding, Risk Manager Mike Pennacchio, Director of Public Works Dan St. John, Executive Secretary Anne Vorderbruggen John Nosek, Buildings and Grounds Superintendent Ken Bell, Norm Rosenberg, Gene Brockman, Dr. Bruce Heller, Harvey Johnson, Don Kaplan, Dick Witzig, and others.

F. IVGID'S CAPITAL IMPROVEMENT PROGRAM - BOND FINANCING CAPABILITY AND RECREATION FACILITIES MASTER PLAN

Chairman Kinsman noted that the purpose of this workshop is to provide a better overview of IVGID's bond financing capability and the process, and then discuss the options presented in Director of Public Works St. John's memorandum of March 21.

Controller Ramona Cruz introduced Marty Johnson of Johnson Consulting Group. Mr. Johnson stated that, in doing financing, they key off of cash flow and, generally, pledged revenues are net income (operating income) plus depreciation. Mr. Johnson noted that for general obligation revenue bonds, the Statutes require a dollar of pledged revenue for every dollar of debt service. He noted that reserve funds (that are held in reserve in case pledged revenues are not sufficient to make payments on bonds) are generally only required for pure revenue bonds.

Mr. Johnson noted that with general obligation revenue bonds, they would get \$11.7 million out of a 20-year bond issue with payments of \$1 million a year; and with a revenue bond they would get \$10.5 million due to higher interest rates and the impact of the reserve fund. He stated that this illustrates that revenue bonds are a fairly expensive way to finance, and general obligation revenue bonds, which the District has been issuing, are generally much cheaper and more efficient.

In response to a request from Trustee Fuller to define the terms, Mr. Johnson stated that a revenue bond takes the pledged revenues (in this case, from golf, ski, programs, all the recreation activities, and the recreation fee) and that is what they pledge to pay bond holders and they pledge to try to set rates and charges at levels that will repay debt.

Mr. Johnson stated that with a general obligation revenue bond, they have the same promise on the rates and charges but, in addition, they have the contingent ability to go to the General Fund and to the property taxes, if required, to make the payments on the bonds. He noted that with this additional general obligation pledge, the market place is much more comfortable that they will get paid so they are willing to take a lower interest rate and have a lower coverage amount.

Mr. Johnson discussed a graph he had produced using a ten-year history of IVGID's recreation facilities. He noted that the graph illustrates that the user fees are not a stable source of revenue. He pointed out that the cash flow in 1991 appears to be almost the same as it was in 2000; however, the Recreation Fee contributed 60% of that cash flow in 1991 and today it provides about 80% of the cash flow.

Mr. Johnson presented a "base case scenario" which illustrated that if they maintain a status quo for the next ten years, in 2011 they would be in the hole \$2 million as far as cash goes. He noted that this is a cumulative impact of operating expenses outstripping the growth of operating revenue, and this imbalance needs to be addressed.

Mr. Johnson next discussed a modified base case scenario plus the new Recreation Center wing, with a 4% annual increase in the Recreation Fee. He noted this would allow them to maintain a fairly healthy cash balance, assuming no additional projects and, with the 4% increase, would be able to build the new facility in the very near future.

Chairman Kinsman stated that he would like to know exactly what the ski and golf base assumptions were. He also asked for an assessment from engineering and recreation staff about the minimum maintenance level of capital expenditures.

Mr. Johnson next presented a modified base case scenario which incorporated the Recreation Center wing and the new golf facility and financing them in 2002 and 2003. He noted that in order to fund both facilities they will need something more than 4% to make it work, and the model is showing a 5% annual increase in the Recreation Fee to accommodate the cash flow that is needed to repay the bonds.

Mr. Johnson discussed a schedule showing how long it takes to issue bonds. He noted that it takes about four to five months from the time a decision is made until it is money in the bank.

Director of Public Works Dan St. John stated that, in addition to what is addressed in the Recreation Facilities Master Plan, there are a lot of other projects such as reconstruction of the golf courses, the artificial sod alternative for Village Green, etc.

Mr. St. John noted that a lot of previous floor plans and drawings are put up around the room to illustrate what has been planned in the past for these facilities, and to let them know that a lot of information is available for review.

There was a lengthy discussion of the alternatives presented in Mr. St. John's memorandum of March 21, 2001. Those alternatives are the Recreation Facilities Master Plan alternative (new Chateau and Recreation Center administration wing); intermediate alternative (new "primarily golf" Chateau with community wing at the Recreation Center); and remodel alternative ("primarily golf" Chateau with community wing at the Recreation Center).

G. ADJOURNMENT

The meeting was adjourned at 3:27 p.m.

/s/ Bob Wolf
Secretary