

**MINUTES OF JOINT SPECIAL MEETING OF THE  
NORTH TAHOE PUBLIC UTILITY DISTRICT BOARD OF DIRECTORS  
AND THE RECREATION AND PARKS COMMISSION  
North Tahoe Event Center  
8318 North Lake Boulevard, Kings Beach, CA 96143  
Thursday, February 25, 2016 at 5:30 p.m.**

**ESTABLISH QUORUM/PLEDGE OF ALLEGIANCE**

A Joint Special Meeting of the North Tahoe Public Utility District Board of Directors and Recreation and Parks Commission was held at the North Tahoe Event Center on Thursday, February 25, 2016 at 5:30 p.m. President Bergmann and Directors Lewis, Daniels, Ferrell, and Thompson were all in attendance from the Board establishing a quorum of the Board. Chairman Teran and Commissioners Chorey, Pepin and Mourelatos from the Recreation and Parks Commission were all in attendance establishing a quorum of the Commission. The meeting was called to order at 5:40 p.m.

Also present were General Manager Whitelaw, Chief Financial Officer Marple, Technology and Public Information Administrator Emmerich, and Administrative Services Liaison Potts.

**PUBLIC COMMENT**

No members of the public were present to address the Board or Commission on items not on the agenda. Public Comment was closed.

President Bergmann thanked those in attendance and requested that they hold any comments until General Manager Whitelaw and Laulima have provided their information. He advised that this topic will be covered again at the District's regular Board meeting on March 8<sup>th</sup> and will be a timed item at 5:00 p.m. to maximize public input.

**RECREATION AND PARKS DEPARTMENT FUNDING OVERVIEW**

- 1. Status of Recreation Funding**
- 2. History of Event Center**
- 3. Where do we go from here?**

General Manager Whitelaw introduced himself, and thanked Chief Financial Officer Marple and Public Information Administrator Emmerich for their help with materials and information created for public outreach. General Manager Whitelaw provided a financial recap of the recreation department and summarized the dilemma of trying to increase revenue while still keeping recreation and facilities affordable for the community and visitors. He provided a history of the Event Center and the 1978 State of California bond issue for acquisition of the property and improvements and a TOT grant from Placer County that provided \$2 million for improvements to the facility, noting that although the building was designed as a conference center, a requirement of the bond act is that the building be offered for "park uses". He addressed efforts made over the years in operating the facility including hiring event planner staff, receiving grant funding for marketing, the passage of Measure C (CFD 94-1) which funds all recreation and park facilities within the District's boundaries and a contribution to the Boys and Girls Club, and grant funded studies recommending ways to maximize revenue by increasing use of the building for conferences. He provided a specific revenue versus expense

analysis which showed an average loss of \$90,000 annually plus a depreciation capital asset replacement shortfall of \$80,000 per year over the prior ten years, and stated that the building is now and has historically been underutilized.

General Manager advised that capital improvements including upgrades for the building are unfunded and cannot be covered with current revenue streams. With the District's goal which was always to make the Event Center sustainable, we are always seeking opportunities. One of the options we are reviewing is a partnership with Laulima. Another option may be to look for other partners while focusing on eliminating the deficit, dealing with future capital replacement, but keeping the building affordable and accessible to the community. He believes an improved facility will bring in more business, and if we could achieve all of the District's goals, staff would recommend moving forward with a partnership.

Commissioner Mourelatos advised those in attendance that the Recreation and Parks Commission recommends a cost neutral department, but cannot find any way to offset the deficits faced, and cannot begin work on any future programs or facilities because the District cannot afford what is in place today. He feels that the current state of the department is unsustainable, and that this is an opportunity to achieve what has not been achievable to date, and that we must come up with a solution.

General Manager Whitelaw introduced Brian Helm and David Boquillon who provided the presentation for Laulima Development.

### **LAULIMA DEVELOPMENT PROPOSAL**

Brian Helm advised that he had spoken at a meeting held by Laulima on February 18<sup>th</sup> in order to receive input from the community. He advised that David Boquillon, a principal with Laulima was present to speak about his vision, and Kings Beach resident David Ferrari would also speak to those present. He noted that the project was just being started and advised that the meeting held a week prior had assisted in providing the role the Event Center plays in the lives of the people in the community. He understood that the community's desire to make sure that all safeguards are in place before moving forward. Mr. Helm introduced David Boquillon who was present to respond to the top questions heard at the meeting held by Laulima the previous week, which he considered to be "Why is Laulima interested in partnering on the Event Center?" and "What's in it for Laulima Partners?".

Mr. Boquillon advised of his vision for redevelopment of the Ferrari properties in concert with the Community Plan which relies on both public and private investments. One element of their development includes events, but before moving ahead wanted to determine if Laulima could partner with the District on the Event Center. He feels that if the partnership benefits the community, it is a good partnership. He advised that while operating a 100 unit hotel, staff and resources could be shared with the event center which would make it more affordable and they would like to use their capital to create a new event center that can be used by all. He stated that the partnership is made up of an investment company and Highway One, an operating company. Together they own and operate a series of restaurants, a hotel in Atlantic City, Alexander Valley, Monterey Downs, and a hotel near the San Jose Arena. He stated that they market to the San Francisco Bay Area, a prime customer for Lake Tahoe and believes they can increase

business in the off season. His plan is to submit a proposal regarding the Event Center by the end of March.

Brian Helm noted that based on comments from February 18<sup>th</sup>, guiding principles on operations, initially considering the physical structure which would be considered through a facilitated public private process for a new event center with a maximum of 28,000 square feet. It would contain no residential, just enhanced event spaces, large and small, food and beverage service, fitness elements, and lobby.

Mr. Helm stated that guiding thoughts would include moving forward with:

- An event center that remains open to all local taxpayers, hotels, businesses and public entities
- Recreation amenities and fitness class facilities
- Indoor youth recreation program facilities
- Casual food and beverage space to create a town center and informal meeting location
- Community space to support local clubs
- Funding from partnership lease payments to support additional recreation programming offered by North Tahoe P.U.D.
- Online reservation calendar showing programs and events, and will allow for easily reviewing availability and pricing
- Reduced rate structure for NTPUD and local ratepayers for meetings and facility use
- Lulima responsible for all operational and capital costs

Additionally, Mr. Hel noted that the first steps for partnership would be to submit a proposal to the District's Board, prepare a memorandum of understanding, work with District staff and legal counsel to draft a binding partnership in the form of a long term lease which will define the details of the partnership. The Board could then approve or decline the partnership agreement.

He noted that Lulima would be required to successfully complete conditions of the partnership agreement prior to the lease becoming binding. These conditions would include completing the public private design with public participation, approval of their application to Placer County and Tahoe Regional Planning Agency, Lulima's proof of funds, and completion of construction of the new facility. Only after all conditions of the partnership agreement are met would the lease and right to use the building begin.

David Ferrari addressed the group regarding the sale of his property, his family's history in the area who had first settled in the Reno before buying the Crown property. He spoke about public private partnerships in the area and stated that he believed that this type of partnership is necessary to accomplish big things in small communities.

### **PUBLIC COMMENT – Facilitated and Documented**

Technology and Public Information Administrator Emmerich logged the following comments and questions from the public made during the meeting. President Bergmann recapped the comments made by each individual for their concurrence. The comments and questions related to the proposal follow:

- Pete Todoroff – Get a good marketing person. Dropping money into a new building is not a good investment. Make use of what you have. Get a consultant that will tell you what you can do improve your facilities.
- Joe Huelle – The economy is changing. This used to be a tourist community with hotels and these hotels have turned into rentals. Insist that hotels are turned back into tourist units.
- Ann Nichols – Who is Laulima Development LLC? Who is the real buyer? Need to go slow and be careful. Put it out to proposal. Worried about attorney's fees. Funding is a huge concern.
- Fred Hodson – Make sure to cover all bases and fully vet the proposal.
- Regina Straver – Short sighted, premature, huge mistake. Give more time for the KBCCIP to work its magic. Who knows what the future may bring? Look at the legal issues and costs of exploration.
- Pam Berger – Review of all the partnerships that the PUD has been successful, Field 5, playground, disc golf, and dog park. Partnerships do work and not afraid of one. How long can we expect before there will be a decision? Developers can't wait forever.
- Ryan Wexler – Thanks for laying out the situation. What happens if they put money in, stay here for a certain amount of time and then they leave? District is now responsible for maintenance more expensive building. Wait and see who Laulima is after they develop the hotel. Partnership for profit is different than those that have been explained which are not for profit. Do we need/want to make a profit? Maybe we should we lose money? Building has value by itself. This is the Defcon 5 solution and we should try 1 – 4 first. Go to public bid to get the most you can.
- Jim Schneider – I think it's positive that you are looking at alternatives to keep it going at a neutral level. Make sure local discount is affordable. Concerned that community will lose some of their shoulder season enjoyment.
- Joy Doyle – NTBA – Can't voice support or opposition but look forward to exploring it with community, Laulima, Board, and members. Ask people to be engaged. Advocate for open and transparent process. In alignment with Kings Beach Visioning Principals as reflected in the 2013 Vision Process.
- Kay Williams – Granlibakken manages Franciscan Lakeside Lodge. Were weddings, catering and such eliminated because they are no longer reflected in the budget? It was explained how budgeting has changed. If there was different structure for operating maybe it could be successful? Make sure that if they are not successful the community won't be left with a shell. We should support Dave Ferrari. Granlibakken submitted a letter because they believe other opportunities should be explored to make it succeed before you give it away. Enhanced marketing.
- Leah Kaufman – Believe that some deficit in the last few years is due to KBCCIP and losing parking. Do people know that the Event Center is in this problem? Many Event Centers exist with subsidy. Concerned with the size and financing to keep it affordable and accommodate community. What if it loses for more than a year? Is there a pool of money that can help keep this afloat?
- Steve Harrison – If it's losing money and they want to take it over, it seems like a good proposal. Support Dave Ferrari.
- Jake Hudson – Has the potential to be a great opportunity for Kings Beach and all of North Lake Tahoe and a win-win for all stakeholders. NTPUD would be letting down rate payers and communities if you don't look at this as an opportunity and explore it some more.

- Dave Herzog – Agrees with Jake’s comments. Great chance to look at something new for this facility. Want PUD to look at proposal.
- Mark Sura – Congratulations Dave. Welcome to the community, Laulima. Do you put up walls to your neighbors before you meet them? It’s a new vision for the community and a good one. Congrats to the PUD for looking at things because it’s currently not working. A good thing for the community. Vote of confidence all the way around.
- Theresa May Duggan – Applause to Mark, Dave, Jake and Joy Doyle for their comments. I am curious to learn more information. So impressed and applaud PUD for being open, transparent and inclusive tonight. Let’s give it a chance, the devil is in the details. It can be worked out. The RFP should include audited TOT returns for anyone that would go into partnership with the PUD.
- Judy Layton – Parking is a real problem and needs to be addressed.
- Meera Beser – Want to see some work done on Dave’s property. Like that you’re looking at it. Worried about the giant hole that lived in the S Shore. Don’t want to see us stuck in the economic mire. Let’s do what we can do today to improve economic output of this building. Let’s go forward and see what they have to offer.

President Bergmann noted that questions related to the proposal will be placed on the District’s website with responses as decisions are made by the Board and Commission when further information and a possible proposal are made available.

President Bergmann asked for comments from the Recreation and Parks Commission and the Board of Directors.

Recreation and Parks Commission Chairman Charles Teran stated that he supports looking further into the proposal. He advised the public that he feels the deficit in the Parks and Recreation budget needs to be fixed soon and this is an opportunity to look at a possible solution.

Commissioner Nathan Chorey stated that the proposal seems like a good opportunity and the District needs to do the due diligence to see who Laulima is and what a lease agreement might look like. He stated that in the end, this could provide a solution that would be a win win.

Commissioner Kristen Pepin offered agreement with the other Commissioners comments and believes that we should take this opportunity to look at a public private partnership which would offer a possible solution. She expressed concern that many community members say they are unaware of the fiscal issues faced by the Recreation and Parks Department, and stated that the Commission wants their input. She asked the community members to ask themselves if they could be doing more for their community.

Commissioner Alex Mourelatos advised that he has had a great deal of experience working on the issues with this Event Center over the last ten years and that the department has put in considerable efforts to generate revenue. He noted that the Commission is trying to fix the problem and move forward to do more, and increase revenues, improve facilities and offer more activities. He posed the question how to get past neutral funding to creating valuable assets for the community. He stated that with this proposal, the District could address these issues and have a shining star. Mr.

Mourelatos also stated that the Park and Recreation Department should not make future funding dependent on whether or not this proposal moves forward and should keep keeping solutions to make it successful.

Director Tim Ferrell stated that it is the role of the Board to look at the proposal. Although the Board has not seen a proposal yet, he is excited to see it and will protect the public interest in the Event Center. He stated that if moving forward with a public private partnership will help this community, he is more than willing to do so.

Director Sue Daniels stated that she is excited to have the Recreation and Parks Commission in place as it is a valuable resource to getting more information out to the community about recreation funding needs. She stated that the Event Center has lost revenue in the last two years because of the commercial core construction and parking issues. She believes that now that the commercial core project is concluding, it will be our opportunity. She is not against looking at a proposal, but is careful about protecting the town. She doesn't want to end up where South Shore is where a project sits unfinished, and believes it could happen here. She stated that conference centers are lost leaders and bring commerce and business to the areas around them, but do not make money. Director Daniels stated that conference centers that do make money do so because of food and room rentals, and gambling in Nevada, such as at the Hyatt. She feels that this is the event center's opportunity to now blossom with the town. Although she stated she is not against looking at options, protecting the community is important to the Board. She wants to be cautious, and would like to see what they do with the Ferrari property. She stated that the District has assets in all department which must be supported by all three departments. Se believes we can fund the Event Center with Direct sales. She would like to see the District look at any offer and move forward with the best offer available, as the community deserves no less.

Director Phil Thompson stated that the District needs to look at all sides of this and looks at this as a business proposition. No intention of moving forward without vetting the offer and seeing if it is a good thing for our community. He stated that he has lived here 64 years and loves it here. He noted that no one on the Board would do anything they didn't think is best for the community.

Director Lane Lewis welcomed Laulima as a new neighbor and stated that it is exciting to see investment in this town. This Board is responsible to do what's best for this community as a whole. He stated that he cannot comment until he sees a written proposal with the details on how it will function and what it means to the District. Director Lewis stated that the District can't maintain Recreation the way we are doing things right now, and that the Board must look for long term solutions for Recreation funding, no short term band-aids. He stated that the Board will act in the best interest of the public and always looks at opportunities with this in mind.

Board President John Bergmann thanked the community members for their participation in the process and asked that they continue their participation during the upcoming needs assessment. President Bergmann stated that we are not looking at this proposal as a panacea for the Recreation and Parks Department. He added that the upcoming proposal is not a solution, but one just one potential piece of the necessary funding for the department. He added that the Board would not move forward with any proposal without significant assurances including a long term agreement iovering use of the

facility by community members, a citizens review panel, and the ability to control use of the building. He stated that the District considers itself the caretakers of our constituents' property, and stressed that we are not giving this away or subsidizing a private entity to do business here. He asked for continued attendance at the public meetings as the District considers any proposal in the future.

## **ADJOURNMENT**

There being no further business to come before the Board or Commission, the meeting was adjourned at 8:10 p.m.

Marianne J. Potts  
Administrative Services Liaison

### **Questions asked by the public and answered by the District at the Joint Meeting of the North Tahoe Public Utility District Board of Directors and the Recreation and Parks Commission February 25, 2016**

Questions asked by the public.

- Who is Laulima Development LLC?

NTPUD has reviewed numerous websites. Upon receipt of a proposal the Board chooses to pursue, a more thorough vetting process will occur.

- Who is the real buyer?

No agreement would result in the District selling the building. The building and the property will continue to be owned by the District.

- How long can we expect before there will be a decision?

The timeline will be decided by the Board of Directors. A written proposal from Laulima Development LLC is expected in late March and will be discussed at the April 12 Board of Directors meeting.

- What happens if they put money in, stay here for a certain amount of time and then they leave?

This scenario will be addressed as a negotiating point in the legal agreement.

- Do we need/want to make a profit?

Public service is different from pure profit based business models. The NTEC falls somewhere in between. Fees for community use are subsidized creating a shortfall too great to be covered with profitable events, i.e. weddings. These losses at the NTEC must be covered by reserves which are now depleted. This is impacting our ability to operate and maintain our other Park facilities.

- Maybe we should we lose money?

If the District did choose to lose money, funds still needs to be available to cover the loss and pay bills, employees, etc. Funds to cover those losses would have to be accomplished by a tax increase at this point in time.

- Were weddings, catering and such eliminated because they are no longer reflected in the budget?

No. Weddings and a percentage to the District for catering have continued, but the way they are reflected in the budget has changed over the years. Wedding are our most profitable event.

- If there was different structure for operating maybe it could be successful?

The District has tried numerous operating structures over the years; from a fully staffed sales and marketing department to bare bones staffing. The amount of the losses may have differed slightly, but there were mostly losses in each configuration. The District must finally decide between a formal partnership such as proposed by Lulima or asking for a vote by the public to increase taxes. A combination of the two may be an option as well. Affordability and community access are the benchmark for NTPUD and realizing a profit for the private side of the partnership being theirs.

- Do people know that the Event Center is in this problem?

This is an issue the District has been talking about for many years. In 2006 a study funded by the North Lake Tahoe Resort Association was done with findings provided to residents via the District's newsletter and discussions at the Board meeting. These challenges were also addressed during the Recreation and Parks Master Plan and the survey that was completed in 2009. The problems are publicly discussed during each budget cycle. Monthly financial reports show the financial status of the Event Center, Parks Department and all the departments as part of our Board packet available on our website, [www.ntpud.org](http://www.ntpud.org) Public forums over opportunities such as proposed by Lulima also present a chance for the NTPUD to discuss recreation shortfalls.

- What if it loses for more than a year?

This is a risk for the developer and not the District. This risk would be addressed as a negotiating point in the legal agreement.

- Is there a pool of money that can help keep this afloat?

This is a business decision of the developer. There would not be a pool of public dollars used to keep the Center open. Failure of the operator would eventually lead to the public taking back the Event Center that is full refurbished.

#### Statements from the Public:

1. Pete Todoroff – Get a good marketing person. Dropping money into a new building is not a good investment. Make use of what you have. Get a consultant that will tell you what you can do improve your facilities.
2. Joe Huelle – The economy is changing. This used to be a tourist community with hotels and these hotels have turned into rentals. Insist that hotels are turned back into tourist units.
3. Ann Nichols – Who is Lulima Development LLC? Who is the real buyer? Need to go slow and be careful. Put it out to proposal. Worried about attorney's fees. Funding is a huge concern.
4. Fred Hodson – Make sure to cover all bases and fully vet the proposal.
5. Regina Straver – Short sighted, premature, huge mistake. Give more time for the KBCCIP to work its magic. Who knows what the future may bring? Look at the legal issues and costs of exploration.

6. Pam Berger – Review of all the partnerships that the PUD has been successful, Field 5, playground, disc golf, and dog park. Partnerships do work and not afraid of one. How long can we expect before there will be a decision? Developers can't wait forever.
7. Ryan Wexler – Thanks for laying out the situation. What happens if they put money in, stay here for a certain amount of time and then they leave? District is now responsible for maintenance more expensive building. Wait and see who Laulima is after they develop the hotel. Partnership for profit is different than those that have been explained which are not for profit. Do we need/want to make a profit? Maybe we should we lose money? Building has value by itself. This is the death con 5 solution and we should try 1 – 4 first. Go to public bid to get the most you can.
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15. Mark Sura – Congratulations Dave. Welcome to the community, Laulima. Do you put up walls to your neighbors before you meet them? It's a new vision for the community and a good one. Congrats to the PUD for looking at things because it's currently not working. A good thing for the community. Vote of confidence all the way around.
16. Theresa May Duggan – Applause to Mark, Dave, Jake and Joy Doyle for their comments. I am curious to learn more information. So impressed and applaud PUD for being open, transparent and inclusive tonight. Let's give it a chance, the devil is in the details. It can be worked out. The RFP should include audited TOT returns for anyone that would go into partnership with the PUD.

17. Judy Layton – Parking is a real problem and needs to be addressed.
18. Meera Beser – Want to see some work done on Dave's property. Like that you're looking at it. Worried about the giant hole that lived in the S Shore. Don't want to see us stuck in the economic mire. Let's do what we can do today to improve economic output of this building. Let's go forward and see what they have to offer.

Board of Director and Recreation and Parks Commission comments will be reflected in the minutes after approval.