

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
APRIL 13, 2006
(approved May 18, 2006)

The Finance and Audit Committee of the Board of Trustees of the Las Vegas-Clark County Library District met in regular session in the West Las Vegas Library, Las Vegas, Nevada, at 4:30 p.m., Thursday, April 13, 2006.

Present: Board: A. Arthurholtz, Chair
L. Overstreet, Member
F. Sponer, Member
T. Wong, Member
K. Benavidez, Member
E. Sanchez, Board Chair
K. Carter
A. Aguirre

Special Counsel: Zev Kaplan

Staff: Daniel L. Walters, Executive Director
Fred James, Deputy Director, CFO
Numerous staff

Andrea Arthurholtz, Chair, called the meeting to order at 4:35 p.m. Trustee Aldo Aguirre arrived at 4:37 p.m., Counsel Zev Kaplan at 4:43 p.m., and Board Chair Elaine Sanchez at 4:48 p.m.

Roll Call All members listed above represent a quorum.

Agenda Trustee Sponer moved to approve the Agenda as proposed. There was no opposition and the motion carried.

Discussion and possible Committee action regarding the FY 2006-2007 Tentative Budget submittal to the Department of Taxation and preparation for the May 18 budget hearing. (Item III.). Deputy Director, CFO Fred James presented this item.

As in previous years, the proposed tentative budget reflects "hold the line" expenditures in order to allocate a portion of FY 06-07 General Fund revenue for future capital projects.

Mr. James projects a 13.5% increase in revenue in FY 06-07 to close to \$59 million, compared to FY 05-06. Property tax revenue came in much higher than expected and is estimated to increase 14.8% or \$4.7 million, as compared to FY 05-06. Estimated Consolidated Sales Tax (CTX) revenue increased by 12.1% or \$2.1 million, as compared to 24.8% for FY 05-06.

Property taxes (62%) and CTX (34%) account for 96% of all General Fund revenues. Therefore, the impact of an increase of \$6.2 million from just these two revenue streams is enormous. The remaining four percent of the General Fund's revenues are generated from library fines, programming and rental charges, revenue from contract libraries and investment income.

The proposed preliminary General Fund budget amounts to \$49.8 million, a 5.9%, or \$2.8 million increase as compared to FY 05-06. Mr. James added that with FY 06-07 revenues expected at close to \$57 million and expenditures budgeted at around \$49 million, the District anticipates transferring \$8.2 million to the Capital Projects Fund.

Activity in the Gift, Expendable Trust and Grant Funds are accounted for in Special Revenue Funds. The Gift and Expendable Trust Funds account for donations to the District and is estimated to be \$455,000 in FY 06-07, which is again higher than previous years. The Grant Fund of \$1,576,500 accounts for revenues and expenditures for monies received from state and federal grants. Mr. James stated that grant funds are coming in higher than expected, and the District will need to do another augmentation due to the higher amount.

Executive Director Walters clarified that these additional funds are strictly LSTA and IMLS federal funds, not state funds.

Enhancements to Public Services personnel total 7.7 FTE and include part time page positions and positions in the Virtual Library and Marketing/Community Relations Department. Anticipated contract-negotiated step increases and cost of living increases contribute to an overall 4.7% increase in salaries and benefits.

The FY 06-07 preliminary budget proposes \$10 million in materials expenditures, an increase of 6.2% over current levels. The proposed materials appropriation amounts to 20% of the total General Fund budget, a Public Library Association standard that few urban libraries serving more than one million people are able to attain. In addition, \$977,000 is budgeted for capital expenditures, the majority of which is budgeted for equipment replacement, software, hardware, and facility repairs.

The General Fund's ending fund balance is projected at \$3.8 million and amounts to 7.6% of the total budget.

The proposed budget funds a transfer of \$8.2 million from the General Fund to be appropriated to different programs within the Capital Projects Fund:

- \$750,000 Integrated Library System Program & RFID
- \$1,000,000 Technology Replacement Program
- \$1,450,000 Building Repair & Maintenance Program
- \$5,000,000 Capital Construction

Mr. James indicated that anticipated FY 06-07 expenditures from the Capital Projects Fund total \$7,270,422 and include the following:

- \$2,110,422 Integrated Library System Program & RFID
- \$1,000,000 Technology Replacement Program (PC Network upgrades)
- \$660,000 Building Repair & Maintenance Program (facilities maintenance & repairs)
- \$3,500,000 Capital Construction (renovations, Centennial Hills,

West Las Vegas Library Homework Help Center)

Mr. James commented that \$540,000 of the \$660,000 Building Repair and Maintenance program amount will be used for major HVAC maintenance at the Summerlin Library. James believes that the repair and maintenance program is paying off for the District because it allows the District to balance its need for large projects with the need to keep the current facilities up to date.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, previously issued general obligation bonds. Bonds are payable from dedicated property taxes to pay principal and interest on the bonds. In addition, the District must maintain a reserve on hand, equal to the annual debt service requirements. Principal and interest is \$6.97 million for FY 06-07.

Executive Director Walters commented on the \$8.2 million transfer to the Capital Projects Fund. He reminded Trustees that at the time of the retreat and adoption of the long-range funding plan, the District had approximately \$20 million in the bank at the close of this fiscal year with another \$10 million needed.

District staff is very concerned about the rise in local construction costs and staff is becoming reconciled to the fact that even \$30 million may not be enough. This is based upon conversations staff is having with Winston Henderson regarding the Homework Help Center and the remodeling of only one branch. Therefore, Walters continued, the proposed budget transfers as much as possible to the Capital Projects Fund. Based upon the projections by staff, the District may not be able to continue the high-dollar level of transfers in future years.

Mr. Walters clarified the \$8.2 million transfer amount. Of the total, only \$5.75 million will be going to add to the \$20 million currently in the Fund. The rest of the funds will be used for ongoing maintenance of current District equipment. Walters also explained that future year projections will be affected by the outcome of the TABOR and Proposition 13 petitions. District staff were very conservative in budgeting General Fund expenditures in order to leverage as much as possible for the transfer to the Capital Projects Fund.

Trustee Sponer asked about the anticipated use of the amount required to be maintained in the Debt Service Fund once the bonds have been paid off. She also requested clarification regarding when the bonds would be repaid. Mr. James responded that District staff forecasts the amount needed and projections are governed by the rules which regulate bond sales. Rates have been going down each year due to the continued repayment, and increasing District-wide assessed valuation. Payments will be completed in six years. Whatever excess remains will be transferred to the General or Capital Projects Fund as the Trustees decide.

Trustee Sponer also asked whether the District could increase the amount it earns on investments. Mr. James replied that there are

Minutes - Board of Trustees' Finance and Audit Committee Meeting

April 13, 2006

Page 4

several factors which limit options for these public sector investments:

- The District is a government agency subject to restrictions on risks that the District can assume with its investments.
- Fluctuations in the timing of receipts from the income streams and expense outlays which affect the amounts available for investment.

Mr. James continued to say that his office is maximizing the amount available for investment by carefully controlling cash flow so that he can forecast when money is available. In addition, his office investigates programs such as the State's investment program where the District will be transferring \$3 million of the Capital Fund in order to earn the same amount of return as the State. Currently, this is higher than what the District is now receiving.

Mr. Walters suggested that the District's financial advisors provide a presentation to the Committee as well as any interested Trustees regarding the District's current investment program. The presentation would address the statutes governing acceptable risk factors the District faces as well as the investment options available. There being a strong expression of interest by the Trustees present, a presentation will be scheduled at a future date for the Committee.

Trustee Wong asked what economic factors, aside from legislative concerns, affected District staff's view that the \$8.2 million transfer amount would not be higher in future years.

Mr. Walters replied that:

- This is the second year of a property tax increase cap with fewer major properties opening to increase the tax base.
- The CTX returns have been extraordinary in previous years but show signs of decreasing.
- The District has leveraged its end of year general fund position and lower margins are anticipated.
- Rising utility costs and anticipated increased labor costs.

Mr. Walters reminded Trustees that the District is in rather a unique position due to Las Vegas' rising property taxes and tax base. Other Districts with similar funding sources are losing revenues and, in some cases, having to make additional cuts in mid-year. The District anticipates approximately \$13.2 million being transferred during two budget years into the Capital Projects Fund.

Mr. James also cautioned the committee that after Centennial Hills, each new branch the District builds will cost around \$2 million yearly to operate. This closes the gap between District revenues and General Fund expenditures.

Trustee Aguirre asked whether an attempt had been made to cap rising construction costs and ensure availability of subcontractors by negotiating with general contractors at this point in the planning process.

Mr. Walters indicated that the District reported on options at last year's

Minutes - Board of Trustees' Finance and Audit Committee Meeting

April 13, 2006

Page 5

November retreat. A general contractor cannot be brought into the process without going through a bid process due to statutory requirements as a tax-funded entity. Mr. Walters acknowledged that the District may experience a process similar to what other smaller government-funded projects have gone through in recent years; a lack of bidders and higher than anticipated construction costs. Due to some advertised "high use" projects being cancelled, there may be a silver lining, with more availability of general contractors at a lower cost .

There being no other questions, Chairman Arthurholtz moved that the Committee recommend the proposed FY 06-07 Tentative Budget as prepared by staff to the Board for approval and submittal to the Department of Taxation and preparation for the May 18 budget hearing.

There was no opposition and the motion was carried.

**Announcements
(Item VIII.)**

None

**Public Comment
(Item IX.)**

None

**Adjournment (Item
X.)**

Trustee Sponer moved to adjourn the meeting at 5:20 p.m. There was no opposition and the motion carried.

Respectfully submitted,

Andrea Arthurholtz, Chair