

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
March 4, 2010
(approved April 8, 2010)

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in the Boardroom of the Las Vegas Library, Las Vegas, Nevada, at 11:30 a.m., Thursday, March 4, 2010.

Present: Committee: V. Davis-Hoggard
R. Ence
A. Aguirre (telephone)
F. Barron, ex-officio

Counsel: G. Welt

Absent: K. Benavidez
K. Crear

Staff: Jeanne Goodrich, Executive Director
Fred James, Deputy Director, CFO
Numerous Staff

Guests:

V. Davis-Hoggard, Committee Chair, called the meeting to order at 11:35 a.m.

Roll Call (Item I.) All members listed above represent a quorum until Trustee Aguirre's departure. Trustee Aguirre attended via telephone until his battery failed at 12:12 p.m. Board Chair and ex-officio member Trustee Barron arrived at 11:46 a.m. Trustees Benavidez and Crear had work-related conflicts and were unable to attend. Excused absences.

Agenda (Item II.) Trustee Ence moved to approve the Agenda as proposed. There was no opposition and the motion carried.

Discussion and possible Committee recommendation regarding updated information pertaining to the preparation of the District's Fiscal Year 2010-2011 budget. (Item III.) Executive Director Jeanne Goodrich advised Trustees that there is new information from the State which has changed the projected revenue information staff had previously provided the Committee. She then detailed the information and impact the change will have on the District's FY 2010-2011 budget. Goodrich said the District was notified by the Department of Taxation on Wednesday, February 17, 2010, of our preliminary tax rates for FY 2010-2011.

Ms. Goodrich noted that the rates have held steady for the last six years at .0699. This rate, plus the SCCRT rate, has equaled a total operating tax rate of .0809. This year, for the first time in six years, the District will be able to utilize a higher maximum tax rate of .0909. This rate plus our City County Relief Tax (SCCRT) rate could mean a total maximum tax rate of .1011. This maximum allowable rate, which is provided by the Department of Taxation, produces approximately the same level of revenue as the District received during FY 2009-2010.

Ms. Goodrich explained that staff had used the current .0809 rate against the projected property tax valuation to arrive at staff's preliminary budget projections, the basis for the \$11 million shortfall discussed with Trustees in February. She went on to say the staff have produced a number of scenarios between the District's current rate of

.0809 and the maximum rate of .1011 to determine a recommended tax rate for FY 2010-2011.

Ms. Goodrich explained that if the District were to levy a total tax rate of .0941 there would be several advantages:

Staff would be able to operate the District (including the new Windmill branch) at the current reduced level, without laying off employees or curtailing hours of service.

The library materials budget would be reduced to about 14% of operating expenditures for three fiscal years, then rise to and remain at the 15% level.

Staff would continue to manage the supplies and services portion of the budget carefully, keeping increases to an absolute minimum.

Ms. Goodrich put forward several arguments in favor of the .0941 rate:

The District has historically assessed the maximum rate allowed. Staff is recommending that the District assess less than the maximum and assess just the level necessary to maintain the current service level.

District usage continues to increase. Clearly, in this time of job loss, foreclosures, and reductions in family income, the District's libraries are meeting a need. Circulation (6%), gate count (7%), reference questions answered (9%) and computer use statistics (10%) all show an increase over previous years.

The District has been judicious in managing staff growth. Over the last ten years, usage as measured by a combined "units of service" metric, has increased 104% while the number of staff FTEs has increased 23%¹. The population served by the District has increased 29% over this time period. Much of the increase in staff FTE is attributable to new or expanded services, such as the heavily used public computers and computer labs, the staffing for the Virtual Library, expanded Sunday hours, and the additional pages required to reshelve library materials in response to increased circulation. Each of these expansions or enhancements has been made as a result of the District's strategic planning efforts, which were based on community input.

The District has been judicious in managing budget growth. Ms. Goodrich noted that in the face of declining revenues, last year's budget (FY 2008-2009) was reduced \$5.1 million and this year's budget (FY 2009-2010) has been reduced by \$5.6 million. Reductions included a hiring freeze, deferring various maintenance and remodeling projects, reducing the library materials budget,

¹ Units of service is a combination of circulation, reference, visits, and program attendance, the major factors of usage and staff workload.

reducing printing, postage, and advertising materials, curtailing staff training, eliminating expense reimbursement for staff attendance at conferences and tightening services and supplies expenditures.

Rather than dismantling the District's quality of services and staffing in a few months to balance the budget under the old tax rate, Ms. Goodrich said that staff would be able to assess and streamline services and operations in consultation with users and the community over the course of the next fiscal year. District staff recognize the need to become a leaner organization in the face of new, long-term reduced tax revenue levels and to focus on providing services and library materials that meet critical community needs (literacy, educational attainment, workforce development).

There are still many uncertainties ahead. Staff still does not know what the future assessed valuation (AV) amounts will be. Residential assessments may not be at the bottom and major commercial assessment corrections are expected this spring. Other factors that have significant budget impacts, such as inflation and health insurance costs, are also unknown. The recommended adjustment to the tax rate will allow the District to maintain services closer to current levels to meet continued demand and gives staff some flexibility as the long-term revenue situation continues to unfold.

Ms. Goodrich emphasized that the impact of this action on Clark County households will be largely dampened by the lower assessments on residential property. Staff's best estimate of the cost of library services to the average property owner would be \$49.40 a year or \$4.12 a month. This amount is actually \$7.23 a year less (61 cents a month less) than the homeowner would have paid under the current rate last year before he lost 25% of the home's value. The estimate is based on a home currently valued at \$150,000.

Recent public polls have indicated that some taxpayers are supportive of tax increases, particularly when they know the monies will be used to support services they value.

Ms. Goodrich then put forward several arguments against the higher tax rate:

Public sentiment is against higher taxes.

Staff does not know whether or not other jurisdictions that received higher maximum rates will be taking them. Other jurisdictions have indicated that they, too, will be presenting this new information to their decision makers.

Ms. Goodrich concluded her list of arguments against the higher tax rate by noting that other jurisdictions are reducing services, laying off

employees, and asking their unions for contract concessions. The District should do the same.

Ms. Goodrich then asked Deputy Director, CFO, Fred James, to follow up with the hard data behind staff's recommendation to raise the operating tax rate to .0941.

Mr. James provided a detailed explanation of how operating tax rates are determined by the Department of Taxation and the effect the SCCRT and exemptions have on the base rate. James explained the impact of the reduction in AV will have on the revenue that he is projecting the District will receive, not only for FY 2010-2011, but also for future years due to statutory caps on property tax increases.

Mr. James explained that a decision to keep the rate at the current base level of .0699, with the adjustments due to SCCRT and exemptions, would mean a reduction from the District's current operating tax rate of .0809 down to .0801. He showed revenue calculations based upon a range of operating taxes rates for FY 2010-2011, historical rates dating back to FY 2004-2005 and the revenue the District received in each year based upon those rates. He showed that if Trustees decided to raise the operating tax rate to the recommended .0941, it will not result in a large amount of additional revenue. The projected revenue would be lower than the District received at the lower rate in FY 2008-2009.

Mr. James went on to show how staff decided on their recommended operating tax rate of .0941. His office analyzed a number of different rates between .0801 (no change to the operating tax rate) and .01011 (maximum allowable operating tax rate). The rate of .0941 was chosen as the rate that would achieve the revenue necessary to maintain the staffing and services and supplies at the current reduced levels of service, and library materials would initially be reduced to 14% of the budget.

Mr. James then provided a spreadsheet for each different rate from .0801 to .01011 which showed the impact of the different rates on the District's General Fund revenues and expenditures for FY 2010-2011 and forecasted the impact of these rates out to FY 2024-2025. The following assumptions were made for each rate:

Salaries and benefits for the Windmill Library were included.

All contracted COLA's and step increases were included.

The library materials budget was reduced to 14% for the first three fiscal years.

An annual cash transfer to the General Fund from the Capital Project Fund of \$2.150 million would be made for five years beginning in FY 2012-2013.

No transfers would be made from the General Fund to the Capital

Projects Fund until FY 2019-2020.

A minimum ending General Fund balance of \$6,000,000 would be maintained. As tax revenues are received at different times during the fiscal year, an ending General Fund balance is required so that the District can operate until tax revenues are received. The District, by law, cannot have a deficit in the General Fund.

Property tax revenue increases for the next six fiscal years were projected.

The analysis of each operating tax rate, with the above assumptions, showed that the District would not be able to maintain those assumptions until the rate was raised to the proposed .0941 rate. Expenditures exceeded revenues and the District would be forced into a deficit ending General Fund balance situation. Mr. James and Ms. Goodrich reiterated that the assumptions used to prepare the operating tax rate analysis would maintain the District's staff and operations at the current level.

Trustee Aguirre had battery problems with his phone and left the meeting during Mr. James' discussion.

Every person present at the meeting was provided a copy of Ms. Goodrich's narrative presentation and Mr. James' spreadsheets with his analysis.

The Trustees then extensively questioned the assumptions and discussed the information provided by staff. Their concerns are summarized below.

Trustees Davis-Hoggard and Ence were concerned about the impact of an increased tax rate would have on the public perception of the District. While acknowledging that District property owners would see a decrease in the **amount** of property tax they pay due to the generally lower AV, they felt that the public would be concerned about the higher **rates** in the current economic climate. They also felt that staff need to look very closely at the demand for the Windmill Library and Service Center activities and whether, in the changed economic environment, the move to the building and staffing of the library at that location could be justified.

Trustee Ence acknowledged the fine work of the staff and felt everyone deserved their pay in addition to pay increases but felt that everything must be reviewed if he was to be able to explain a rate increase to District taxpayers. Trustee Davis-Hoggard strongly felt that the amount of money taxpayers would save per \$100,000 of AV with the rate unchanged, while small, would be very meaningful to some taxpayers.

Trustee Barron felt that the difference in the amount of money residents would pay per \$100,000 of AV justified the higher rate, but was concerned with how the District's revenues were allocated and

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asked staff to look at different options for providing District services. She spoke very strongly about the high value and low cost of "librarianship" offered by the District in terms of the services provided to the District's population.

Trustees concluded their discussion by asking staff to provide different options regarding District services, materials and staffing for different operating tax rates for review at the March Board meeting. While the meeting would be open, per Counsel Welt any discussion of staff pay and benefits would take place in an executive session. The Trustees would then make their decision in open session on the operating tax rate to use as staff develops the District's FY 2010-2011 budget.

Each Trustee expressed their appreciation for the information and analysis provided by staff.

**Public Comment
(Item IV.)**

None.

**Adjournment
(Item V.)**

Chair Davis-Hoggard adjourned the meeting at 12:55 p.m.

Respectfully submitted,

Verlia Davis-Hoggard, Committee Chair