

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
January 27, 2011
(approved February 10, 2011)

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in regular session in the Las Vegas Library Boardroom, Las Vegas, Nevada, at 6:00 p.m., Thursday, January 27, 2011.

Present: Committee: V. Davis-Hoggard, Chair
R. Ence
K. Crear
A. Aguirre (ex-officio)

Board: R. Kirsh
M. Saunders

Counsel: G. Welt

Absent: K. Benavidez (Excused)

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

Guests:

V. Davis-Hoggard, Committee Chair, called the meeting to order at 6:00 p.m.

Roll Call (Item I.) All members listed above represent a quorum. Trustee Benavidez was out of the country-excused absence. Trustee Aguirre arrived at 6:17 p.m.

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

Discussion pertaining to the preparation of the District's budget for Fiscal Year 2011-2012. (Item III.) Executive Director Goodrich reported that staff has received information from the Clark County Assessor's Office indicating that assessed valuation for the FY 2011-2012 is expected to range from 5% to 16% less than current year's assessed valuation for FY 2010-2011. This is the first of several meetings to keep the Finance and Audit Committee up to date regarding developments that will have a major impact on the District's revenues for the coming fiscal year. The preliminary revenue amount for property tax will not be available before February 15, 2011.

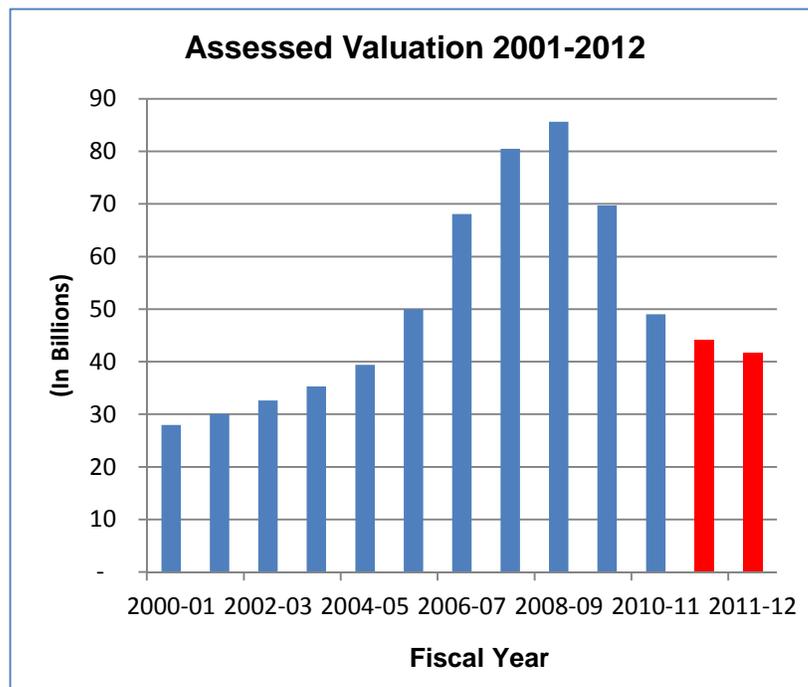
The table below provides initial estimates of what these reductions could mean (for simplicity's sake, 15% rather than 16% is being used):

REVENUES - GENERAL FUND				
Property Tax Reductions		-5%	-10%	-15%
	FY 2011	FY 2012		
Property Tax	\$42,879,000	\$40,735,050	\$38,591,100	\$36,447,150
CTX	\$14,200,000	\$14,200,000	\$14,200,000	\$14,200,000

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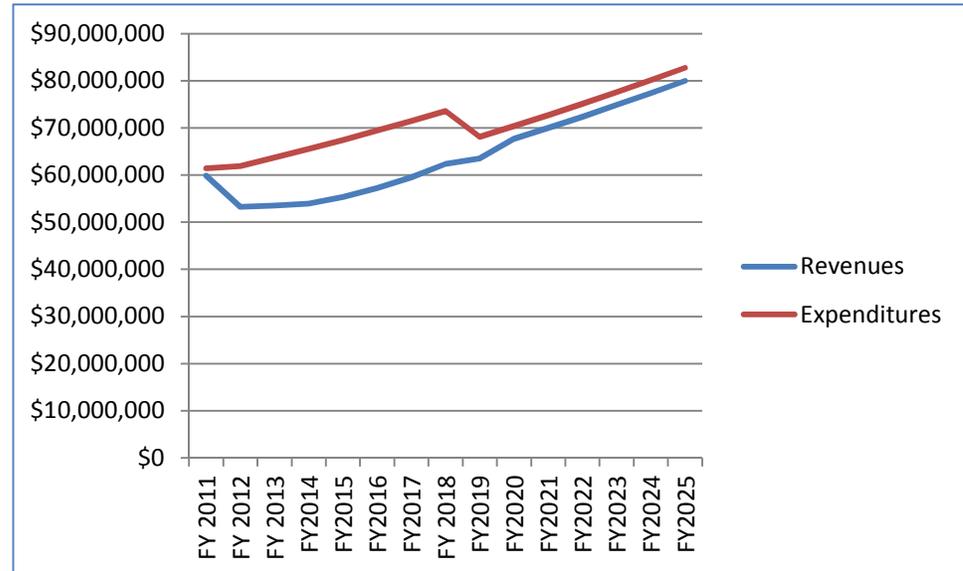
Fines, Forfeits. Misc.	\$ 1,560,000	\$ 1,560,000	\$ 1,560,000	\$ 1,560,000
Charges for Services	\$ 1,125,000	\$ 1,125,000	\$ 125,000	\$ 1,125,000
Investment Income	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
	\$59,884,000	\$57,740,050	\$55,596,100	\$53,452,150
Difference		\$ 2,143,950	\$ 4,287,900	\$ 6,431,850

Ms. Goodrich added the information that, at this time, CTX and other revenue sources are projected to remain stable. The property tax revenues are projected to decline because of the continued decline in assessed valuations. This coming fiscal year District revenues will feel more heavily the decline in commercial and retail property values. As the chart below shows, these declines have been significant over the last several years. The FY 2010-2011 assessed valuation of \$48.9 billion was a 30% decrease over the FY 2009-2010 assessed valuation. The two red bars on the chart below indicate what a 10% and 15% reduction would look like.



The preparation of the FY 2010-2011 budget presented unprecedented challenges for the District. The preparation of the FY 2011-2012 budget will be equally, if not more, challenging. There are a number of variables that the Executive Director and the Executive Council will be considering and the best thinking will be presented to Trustees over the next few months. The key concept to convey at this point is that the District's budget is unsustainable unless there are significant adjustments to current spending patterns. The next chart illustrates

the "worst case" scenario:



As shown above, even after the medium term bonds are paid off in FY 2017-2018, the budget never comes back into balance. The expenditure projections are based on pre-FY 2010-2011 spending increase assumptions and conservative revenue increase assumptions. Staff proposes to adjust the former and continue to be conservative (using its best ability to project, which is unusually difficult in the current economic environment) in revenue estimates.

Ms. Goodrich then explained how the approved FY 2010-2011 operating budget is being spent:

- Salaries and Benefits - \$33.5 million (64%)
- Services and Supplies - \$11 million (21%)
- Library Materials - \$7.7 million (14%)
- Capital Outlay - \$359,000 (1%)

Ms. Goodrich explained that a \$4.3M decrease in revenue is equivalent to 8.2% of the District's current operating budget. A \$6.4M decrease in revenue is equivalent to 12.2% of the District's current operating budget. She then discussed several challenges to managing expenses.

- Personnel Costs account for 64% of the operating budget
 - Salaries account for 74% of personnel costs
 - Currently unknown as to possible changes due to the labor contract's expiration on June 30, 2011. The first meeting to discuss negotiations is scheduled for January 31, 2011.
 - Benefits account for 26% of personnel costs
 - Medical insurance costs are likely to go up by an unknown amount.
 - PERS has already gone up 2.25%

- Services and Supplies – 20% of operating budget
 - Utilities (not including telephones) cost almost \$2M, nearly 20% of S&S
 - IT equipment and software maintenance costs over \$1M and will go up next year. This is another 10% of S&S budget.
 - Other S&S costs include security, janitorial and landscaping, telephones, supplies, small equipment replacement and repair, etc.
 - Only \$216K is budgeted for building repairs and minor improvements.

Ms. Goodrich added that the biggest areas of the District's expenditures are the ones outside of staff's control.

Ms. Goodrich then explained the structural deficit she sees with the District's current financial situation.

- Worst case: continuing to spend at past levels
- Staff cannot look at just one or two years: have to project out to see future consequences of current decisions
- An Ending Fund Balance of at least \$6M is required each year to pay bills until tax monies come in
- Reserves are thinning: concerned about having enough money to pay for
 - required technology maintenance, replacements and upgrades
 - building repair and maintenance
 - other equipment
 - fleet repair and maintenance

In the past, there was money available in the General Fund to transfer to the Special Projects Fund to hold for future use. This is no longer the situation. Ms. Goodrich has made a similar presentation to the District's Department Heads and encouraged all staff to think of a "new normal," where old assumptions are discarded.

Ms. Goodrich is proposing a redesign of the District's budget, letting go of old processes, patterns, and assumptions. She suggested that the District move to a program style budget focusing on the priorities expressed in *Forward to Basics*, a document written last year to acknowledge the focus on specific library and community services amid the increasingly tight financial environment the District found itself in.

The proposed District Program Budget definition:

A program should be for discrete services or discrete populations served, whoever most appeals to common sense.

A program can be:

- operating (providing direct services, including front-line supervision/program managers)
- administrative (District or division-level management and related expenses)
- support (an activity that provides services directly to some or all operating programs within the District)

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- capital projects fund programs
- special fund programs

The FY 2011-2012 Budget will include a description of each program, performance measures (2-3) for each as well as a description of how the performance measures are derived. Revenue and expense details will show previous, current and proposed budget levels (including variances from current year), and include an explanation of expenditures as well as a narrative description of significant program changes. These program budgets, along with expanded budget narratives (overview, trends, etc.) are designed to provide the reader with a clearer picture of what the District does and how it spends its money.

The proposed budget programs categories are shown below:

Library Services Programs - \$33,986,735

- Urban Libraries (include regional relief librarians, temporary adult services assistants)
- Outlying Libraries
- Community Outreach
- Literacy Services
- Virtual Library
- Adult Programming (includes proportional Technical & Production Services/Scheduling & Program Services, graphics, PR, PS Administration coordinator)
- Children/Teen/Family Programming (includes proportional TPS/SPS, graphics, PR and Youth Services coordinator; does not include children's librarians-unable to break out as this varies)
- Library Materials (includes Collection Development staff)
- Gallery Services
- Contract Services (offset by contract revenues)

SUBTOTAL – 65% of Operating Budget

Administrative and Support Programs - \$18,562,279

- Executive Director's Office
- Public Services Administration (includes Deputy Director, Admin Asst., Access Services Mgr, Regional Branch Services Director)
- Business Office
- Marketing and Community Relations
- Human Resources
- Information Technology
- General Services (Facilities, Maintenance and Courier)
- Development
- Support Services

SUBTOTAL – 35% of Operating Budget

The Capital Projects Fund Programs and the Special Revenue Funds Programs would stay the same as in the current budget. Much is the

same as the District's current line-item budget, but there are several changes.

For example, Ms. Goodrich explained that under the Urban Libraries program, she has included the cost of regional relief librarians as they work in these branches and are not considered support functions. She also tried to separate out as much as possible for the adult and children/teen/family programming areas. This also allowed her to pull out the costs associated with making the District's meeting room and PAC facilities available for use by other groups. Proportionate costs for graphics and PR services are also included in several program areas, not simply under the administrative category.

Ms. Goodrich hopes the information she has provided will lead to a general discussion on these items as well as responses to the priorities outlined in *Forward to Basics*. Goodrich and Deputy Director, CFO Fred James, said they would be happy to answer any questions about the information provided.

The next step for staff, once the preliminary figures have been received on February 15, 2011, is to take the revenue information and start preparing the proposals for the FY 2011-2012 budget.

Forward to Basics priorities:

- Learn to Read and Write: Adult, Teen and Family Literacy
- Create Young Readers: Early Literacy
- Celebrate Diversity: Cultural Awareness
- Satisfy Curiosity: Lifelong Learning
- Succeed in School: Homework Help
- Stimulate Imagination: Reading, Viewing and Listening for Pleasure

After Ms. Goodrich completed her presentation, Trustees extensively discussed the implications of reductions to the District's property tax revenue on the budget. Trustee Aguirre arrived early in this discussion.

All Trustees present raised questions about and commented on a variety of District budget items, programs and methods of operation. Items that were brought up included planning for worst-case scenarios and focusing on permanent, not temporary changes to District expenses.

Trustees also commented on the effect on possible changes to services, such as the reductions or re-allocations to the materials budget and changes to District programming, on staffing levels and costs. The materials budget was the subject of several comments as to the current level and several Trustees suggested that District staff take a careful look at the types of items that are purchased for the collection.

Due to the upcoming expiration of the current labor contract, Trustees emphasized the need to review all areas covered by the contract such as benefit costs and how they are purchased, the percentage of benefits paid by the District and the employee, as well as the possible costs and benefits of furloughs, longevity benefits and step increases.

Ms. Goodrich, Mr. James, Mr. Morss and Ms. Gregory provided

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information on several programs staff have been working on to ensure staffing levels are appropriate for the current service priorities, the focus on providing a balanced collection for the District's diverse population as well as providing costs for different areas and benefits in response to Trustee questions.

Trustees briefly discussed the role of the District's Foundation in fundraising as well as suggestions for increasing the donations. The role of managing the District's volunteers is currently handled by the Foundation and also came under discussion. Also mentioned was the need for strong District advocates in the community, be they elected officials or other prominent community leaders.

Trustees favored continuing with the current priorities but focusing on the higher priority items expressed in *Forward to Basics*. Trustees appreciated the work to tie expenses to programs in order to see the actual costs in each area. Several Trustees emphasized that examining all areas for savings was critical.

There will be further briefings at the February 10, 2011 and March 10, 2011 Regular Board meetings and the next Finance and Audit Committee will be on March 24, 2011 at 6:00 p.m. at the Las Vegas Library.

This item was for discussion only

Public Comment
(Item IV.)

None.

Adjournment
(Item V.)

Committee Chair Davis-Hoggard adjourned the meeting at 7:07 p.m.

Respectfully submitted,

Verlia Davis-Hoggard, Committee Chair