

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
APRIL 11, 2013
(approved May 16, 2013)

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in regular session in the Clark County Library, Las Vegas, Nevada, at 4:30 p.m., Thursday, April 11, 2013.

Present: Committee: M. Saunders, Chair
S. Moulton
R. Ence
Y. Yturralde

Board: K. Crear
C. Reese

Counsel: G. Welt

Absent: K. Benavidez, ex-officio

Staff: Jeanne Goodrich, Executive Director
Fred James, Deputy Director, CFO
Floresto Cabias, Assistant Finance Director
Allison Boyer, Executive Assistant

Guests:

M. Saunders, Chair, called the meeting to order at 4:31 p.m.

Roll Call (Item I.) All members listed above represent a quorum. Counsel Welt arrived at 4:32 p.m. Trustee Crear arrived at 4:33 p.m.

Public Comment (Item II.) None.

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

Discussion regarding the preparation of the District's tentative budget for Fiscal Year 2013-2014. (Item IV.) Executive Director Goodrich opened the discussion regarding the preparation of the District's tentative budget for Fiscal Year 2013-2014 by handing out briefing notes which are attached as Appendix A.

The briefing notes provided information on the approach taken for the budget as well as detailed information on the projected revenues, the proposed operating budget and staff assumptions that went into the numbers. She also discussed her proposal for changes to the Capital Projects Fund.

Highlights included:

- An additional evening hour of service for the urban branches, from 7:00-8:00 p.m. Monday through Thursday. Not all branches will require additional staff. Deputy Director Robb Morss and Assistant Public Services Director Jennifer Schember have looked at staff allocations and formulas and determined how to handle staffing without increasing staff at all locations.
- The Library Materials budget will remain at 15% of operating funds and that seems to be meeting patron needs according to

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Collection and Bibliographic Services Director Chris Britsch.

- While negotiations are not yet completed, the tentative budget estimates for salaries and benefits satisfy State budget requirements, as staff need to file the Tentative Budget by April 15, 2013.
- Capital projects have been moved out of the General Fund into the Capital Projects Fund, a more accurate placement of these expenditures. Ms. Goodrich said that this movement means that staff has to be very careful that the District has money in the different Capital Projects programs and that staff plan for the kind of projects that use this funding. Projects include roof replacements, chiller replacements, new cooling towers and other HVAC components. Moving this money out of the General Fund gives staff the flexibility to identify these projects in the appropriate place and gives the General Services Department the flexibility of managing the projects over multiple fiscal years. Staff finds that sometimes these projects straddle multiple fiscal years. Putting these projects into the Capital Projects fund makes them easier to manage. As District facilities age, this becomes more important.

Trustee Ence asked why salaries and benefits costs increased as a percentage of the budget from 62% to 63%. Ms. Goodrich said that adding several part-time Public Services positions to accommodate additional service hours was one reason. Another is that staff have estimated increases in salaries and benefits. She emphasized that the proposed changes in salaries and benefits are estimates only and the District is still in negotiation with Teamsters 14 representatives regarding this subject.

Trustee Ence then asked whether, besides the extended hours at the urban branches, any other services were being looked at for restoration. Ms. Goodrich said that all services were evaluated, including expansion of hours at outlying branches. At this time, staff felt that outlying branch hours tracked well with patron use. She continued, saying that taking a measured approach to adding service hours included staff review of whether the 8:00-9:00 p.m. hour or the 9:00-10:00 a.m. hour was used enough by patrons to warrant adding those hours back in at this time. Staff determined that the 7:00-8:00 p.m. hour was very much needed by patrons, as that gives them time to go home from work or school and eat dinner before coming back to the library to explore their interests.

Ms. Goodrich added that the book budget remains at 15% of operating costs, and staff feels the District is still meeting patron needs at this level.

Deputy Director, CFO Fred James discussed General Fund expenditure projections and further explained the transfer of money to the Capital Projects Fund. Mr. James explained that, beginning with the FY 2013-2014 Budget, staff proposes to remove operating capital from the General Services budget in the General Fund. This money is used for everyday maintenance issues. Many repairs cross different fiscal

years. Going forward, this means that the difference between revenues and expenditures will be transferred from the General Fund to the Capital Projects Fund. In FY 2013-2014, this amounts to \$6.6 million. In the next few years, this amount is expected to be lower so it is critical that the District continues to plan for the use of it.

Over the past five years, money for facilities maintenance was frozen or drastically reduced due to the economy. The District needs to start putting money in this area. While in the past, the Capital Construction Program in the Capital Projects Fund was used to accumulate money for new buildings, this fund will now accumulate money for repairs and/or additions to existing buildings such as exterior building maintenance and interior remodeling projects. Ms. Goodrich emphasized that the District is not contemplating new buildings at this time. This will mainly be maintenance, repair and renovation projects. She also would like staff to start projecting expenditures and revenues in the Capital Projects Fund out 15 years, as staff do annually for the General Fund.

Mr. James continued to speak about the General Fund projection staff prepared to confirm the sustainability of the assumptions staff are making for future years. He explained that property tax revenue has been going down for a number of years, with a huge drop several years ago. The revenues dropped again this year, and James believes they may have bottomed out. Even if property tax revenues increase in future years, by law they can only increase by 3%. While consolidated sales tax revenue has increased over the last year, it may be leveling off and James has projected that this will remain flat over the next few years. Therefore, he has kept revenue projections conservative, ranging from a 1% to 3.5% increase over the next five years.

Mr. James said expenditures in the FY 2013-2014 Tentative Budget are projected to increase from FY 2012-2013 by less than one-half of 1%. He said that the annual transfers to the Capital Projects Fund over the next five to six years means that the proposed budget is sustainable through FY 2018-2019.

Trustee Moulton asked where the money in the Capital Projects Fund comes from. Mr. James explained that the Capital Projects Fund was established 10-12 years ago to accumulate money for new construction. New programs were added as the District was able to put money aside. Once money has been approved for certain projects, it is transferred to the program in the Capital Projects Fund. If the money stays in the General Operating Fund, it must be reallocated every year. As an example, James provided the money for the Human Resources technology. Once the Trustees approved the project, the money was transferred to the Capital Projects Fund-Technology Replacements and Upgrades Program and does not have to be reapproved and allocated next year.

Trustee Moulton approved of the conservative assumptions and is very pleased at the addition of the additional service hour for the urban branches.

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Trustee Saunders asked about the proposed ILS system replacement and whether staff had any ideas about the replacement. Ms. Goodrich said that the specific replacement system is conjectural at this point due to the rapidly changing technology environment. The District provider is changing to a cloud environment and she anticipates that eventually they will not support the District's current system. The District will attempt to wait until that point to replace the current system. It will be a huge process that includes creating a RFP, evaluating the responses and managing a large transition process. In response to a question about estimated costs, she believes that a replacement will cost approximately \$1 million.

Mr. James added that projections on costs for capital projects can always be re-evaluated, based upon the circumstances.

Chair Saunders commented that he appreciated staff's continued reasonable and conservative assumptions, as they have made in previous years.

Trustee Ence asked whether the increase in Consolidated Sales Tax revenues for FY 2013-2014 was due to the passage of AB68. Ms. Goodrich noted that the bill was just signed by the governor and the District will not see the results of the formula change until FY 2014-2015. Mr. James said that CTX revenues have been projected higher by the state and have been coming in higher. There is sometimes a 5% increase month to month over the last year.

Trustee Ence then asked about the assumption of a 0% increase in health insurance costs and whether that would remain true when the next year and the new healthcare laws take effect. Ms. Goodrich said that, while this item is still under negotiation, the figures the District is using came from the Teamsters Trust, which manages the District's healthcare. She added that no one really knows the impact, which will begin in January 2014. Ence added that staff needs to be aware of these changes and monitor the situation.

This item was for discussion only.

**Public Comment
(Item V.)**

None.

**Adjournment
(Item VI.)**

Chair Saunders adjourned the meeting at 5:01 p.m.

Respectfully submitted,

Michael Saunders, Committee Chair

FINANCE AND AUDIT COMMITTEE BRIEFING – APRIL 11, 2013

The past few years of prudent cost reduction, expenditure management, and personnel cost containment continue to pay off as we prepare the FY 2013-2014 budget. Despite another year of declining property tax revenue, we are able to make some improvements to our expenditures and capital projects budget plans due to a healthy ending fund balance, improving CTX revenues, and tight control over the last several fiscal years, which is continuing into the next fiscal year. We will improve services throughout the metro valley by adding an additional evening hour of service Monday through Thursday.

PROJECTED REVENUE/REVENUE SHORTFALL

FY 2012-2013 Revenue: \$ 55,601,000 FY 2013-2014 Projection: <u>55,685,000</u> Excess: \$ 84,000	<ul style="list-style-type: none"> Projection based on 2.4% reduction in property tax revenues (estimated at \$880K decline), based on decline in valuations Consolidated Sales Tax (CTX) revenues estimated to increase by \$954K, 5.8% Other revenue sources projected to remain stable
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CURRENT AND PROPOSED OPERATING BUDGETS

CURRENT (FY 2012-2013)	PROPOSED (FY 2013-2014)
Salaries & Benefits: \$ 32,270,260 62% Services & Supplies: 11,502,065 22% Library Materials: 7,804,840 15% Capital Outlay: <u>507,600</u> 1% TOTAL \$ 52,084,765	Salaries & Benefits: \$ 33,100,328 63% Services & Supplies: 10,870,398 21% Library Materials: 7,930,000 15% Capital Outlay: <u>293,600</u> 1% TOTAL \$ 52,194,326
<ul style="list-style-type: none"> This operating budget provided a stable service environment as compared to previous fiscal years: no reduction in hours, no layoffs, seven day service maintained, library materials budget held steady at 15% of operating Additional part time hours were added in Public Services to meet service demands A public services manager position was added back to the budget to reduce the span of control of the Deputy Director Needed IT equipment, backup systems and training were added to the IT budget Deferred maintenance and repair projects were included in the General Services budget Employee wage concessions, the roll-back in health insurance rates, and stringent cost reduction and containment all contributed to the stability attained by this budget 	<ul style="list-style-type: none"> This proposed operating budget is essentially flat when compared to the previous fiscal year Capital projects have been moved out of the operating budget into the Capital Project Fund, a more accurate placement of these expenditures As part of a phased-in effort to restore hours of service, an additional evening hour of service has been added back to the urban branches (7-8 p.m.) The Library Materials budget increases by \$125,000 and is maintained at 15% of operating Negotiations are not yet completed; an estimate has been made to reflect possible increases in salaries and benefits This budget level is sustainable, using conservative expenditure and revenue estimates over the next 15 years

CAPITAL PROJECTS PROPOSAL

The Capital Projects Fund accounts for the acquisition, replacement or construction of major capital projects and facilities. It has consisted of six programs to accumulate available resources to be appropriated in subsequent budget years. The programs are: Integrated Library Systems, Technology Replacements and Upgrades, Building Repair and Maintenance, Capital Construction, Library Materials (opening day collections for new facilities), and Vehicle Purchase and Replacement.

During previous tight budget years, building maintenance and repair projects were budgeted at the absolute minimum. District-owned facilities range in age from 2 to 26 years old. We must respond to both deferred maintenance and current maintenance and repair needs to ensure that our facilities are safe, attractive and functional. The latter requirement can be challenging and expensive as we work with buildings that were not designed to provide space or power and data outlets for numerous computers, the types of meeting and work space now needed or to be easily modified as needs and uses changed over the years. We are also finding the manufacturers no longer support or provide parts for older component systems.

Staff recommends the following:

- Expenditures for needed major building repair and maintenance: HVAC system controls upgrade at Clark County, rooftop heat pump replacements at Mesquite, cooling tower replacement at Sahara West, HVAC rooftop gas pack unit replacement at Spring Valley and West Las Vegas, and fire alarm system replacement at West Charleston.
- Replacement of 5 vehicles, in accordance with replacement schedule established FY 2012-2013.

FIFTEEN YEAR PROJECTION

As the 15 year budget projection spreadsheet shows, the proposed spending levels and projected revenue levels result in a balanced, sustainable budget going forward. Based on the economic forecasts we are aware of, we believe the revenue projections are realistic. In the next fiscal year, we are able to expand services slightly, adding back one open evening hour (7-8 pm) at the urban branches, bring public services staffing to the allocation levels established several years ago to meet increased usage levels, and maintain the library materials budget at 15% of operating. We continue to meet our ending fund balance target (\$6.5 million) and are able to contribute to the Capital Project Fund balances so that we can continue to replace outdated equipment and make necessary repairs and conduct necessary maintenance to our buildings.