

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
April 12, 2018
(approved May 24, 2018)

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, Las Vegas, Nevada, at 6:00 p.m., Thursday, April 12, 2018.

Present: Committee: F. Ortiz, Chair
S. Moulton
Y. Yturralde
K. Benavidez
R. Wadley-Munier
R. Ence, ex-officio

Board: S. Bilbray-Axelrod
E. Foyt

Counsel: G. Welt

Absent: J. Melendrez
M. Francis Drake

Staff: Dr. Ronald R. Heezen, Executive Director
Fred James, Deputy Director, CFO
Numerous Staff

Guests:

F. Ortiz, Committee Chair, called the meeting to order at 6:00 p.m.

Roll Call (Item I.) All members listed above represent a quorum. Trustees Francis Drake and Melendrez had excused absences.

Public Comment (Item II.) None.

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

Discussion regarding the Fiscal Year Ending (FYE) June 30, 2019 Tentative Budget submittal to the Department of Taxation and preparation for the May 24, 2018 Budget Public Hearing. No action will be taken. (Item IV.) Deputy Director/CFO Fred James and Assistant Finance Director Floresto Cabias presented the FYE June 30, 2019 Tentative Budget. In addition to the information presented to the Trustees prior to the meeting and detailed below, the presentation at the meeting is attached as Exhibit A. The Nevada Revised Statutes require that the Tentative Budget be filed with the State Department of Taxation by April 15, 2018. The Tentative Budget is an administrative report of anticipated expenditures and does not require Board action.

The Tentative Budget is for discussion purposes only, and will be adjusted according to the final revenue estimates expected to be received in early May, as well as subsequent expenditures, for the District's Budget Public Hearing scheduled for May 24, 2018.

Mr. Cabias explained that, due to the inclusion of New Markets Tax Credits funds and the establishment of two QALICB companies, the District had to account for some changes in accounting to accommodate these monies and he explained those changes as he went through the numbers. Some money is transferred to the QALICB

but then comes back to the District via the Foundation. In addition, the QALICB will be accounting for the majority of the construction funding expenditure for the Mesquite Library Campus and the East Las Vegas Library so there will be changes to these areas in the Capital Projects Fund due to these transfers.

FYE 2019 General Fund

The General Fund represents the basic complement of services provided to the patrons of the Las Vegas-Clark County Library District.

Revenues

Total revenues for FYE 2019 are projected at \$66.7 million. As compared to the FYE 2018 Budget, property tax revenue for FYE 2019 is 5.5% higher than last fiscal year. Consolidated Sales Tax (CTX) revenue is estimated to increase by 4.1%, as compared to a 4.0% increase for FYE 2018.

Property tax (63%) and Consolidated Sales Tax (34%) revenues account for 97 percent of all General Fund revenues. 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 and are consistent with last year.

The District's operating tax rate will remain at 9.42 cents per \$100 of assessed valuation. This rate includes the District's Supplemental City-County Relief Tax (SCCRT) Loss Tax rate (NRS 354.59813) of .62 cents in the District's base operating rate.

Expenditures

The proposed preliminary General Fund budget amounts to \$68.6 million, a \$2.9 million increase as compared to FYE 2018.

The FYE 2019 Tentative Budget proposes \$10.2 million in library materials expenditures, an increase of 3.3% over current levels. The proposed appropriation amounts to 15% of the total General Fund budget.

A \$4.2 million transfer is proposed in the FYE 2019 Tentative Budget from the General Fund to the Capital Projects Fund. See the section for the Capital Projects Fund below for further discussions regarding the anticipated transfer.

Mr. Cabias explained the \$719K (1.7%) increase in Salaries and Benefits out of the General Fund expenditure is actually lower than usual as, last year, staff over-estimated expenditures as the District was negotiating with the union at the time.

Supplies and Services in the General Fund have an increase of \$1.8 million (14%) due to routine increases in contract expenditures, as well as rebranding costs, increased distribution costs for the District's magazine, *Highlights*, as well as a potential personnel study. As well, the District will be accounting for the lease payments to the QALICB companies for the Mesquite Library Campus and East Las Vegas Library as part of the NMTC funds the District has received.

The General Fund's ending fund balance is projected at \$7.0 million and amounts to 10% of the total budget, which matches the minimum management requirement of 10%.

Special Revenue Funds

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.

District and expenditures are estimated to be \$815,000 in FYE 2019. The \$300,000 increase is explained by the accounting for NMTC funds. The Grant Fund of \$1,800,000 accounts for revenues and expenditures for monies received from state and federal grants. All grants are budgeted once funding is approved by the State.

Capital Projects Fund

A \$4.2 million transfer is proposed from the General Fund to be appropriated to the different programs within the Capital Projects Fund. The transfer is designated for major building repairs and maintenance, technology replacements and upgrades, library materials, and construction projects. While the amount in this Fund is lower than last year, this is due to the Mesquite Library being completed, the District being required to fund payments to the QALICB entities for construction costs for the Mesquite Library Campus and East Las Vegas Library in advance. There are slightly increased costs for the IT Replacements fund in the CPF and the Building Repair & Maintenance Fund in the CPF.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general obligation bonds. Bonds are payable from property taxes.

The District obtained additional funding through medium-term financing for the design and construction of the Windmill Library (aka Southwest Library) and Service Center in March 2009. The financing provided a total of \$51.6 million. The medium-term bonds are payable from all legally available funds of the District. In addition, the District must maintain a reserve on hand, equal to the annual debt service requirements. Principal and interest is \$7.6 million for FYE 2019. The District will be debt-free as of January 2019.

Mr. James explained that the goal for this budget, as well as future budgets for a number of years, was to accumulate enough cash to pay for the projects specified in the Facilities Master Plan (FMP), which will be presented to the Board in July, 2018. At the same time, staff must be able to run the District at its current level. Financial Services staff are working on handling these dual goals by increasing the ending Fund Balance to 20% to accumulate the money for the Facilities Master Plan. They are also looking at funding strategies to find money for the FMP.

Mr. James cautioned that the District's forecast does not include impacts to the budget due to a war, recession, or any terrorist attack.

James estimates that, in the next five years, it looks as though the District will be able to accumulate one third of the money needed (\$31 million) to fund the FMP while still funding the District. The next five years should see better cash flow. He emphasized there is no actual budget yet for the FMP and will not be until the Trustees consider the FMP at the July meeting.

Pending Board direction for any additional changes, staff will prepare a FYE 2019 Proposed Budget that incorporates any necessary adjustments subsequent to the administrative filing of the FYE 2019 Tentative Budget with the Department of Taxation. This presentation is for discussion only as the basis for preparing the Tentative Budget for submittal to the State Department of Taxation by April 15, 2018.

Trustee Bilbray-Axelrod asked that staff consider re-opening the Rainbow Amphitheater. Mr. James said that staff have to consider the cost of equipment to upgrade the facility and any repairs to the facility as it has been closed down for a number of years, in addition to the staffing costs. That being said, he said he would leave that discussion to the Facilities Master Plan.

Trustee Wadley-Munier asked how the \$31 million in accumulated costs that Mr. James forecast was calculated and James explained.

Trustee Moulton asked if future libraries are being considered in the FMP. Mr. James said that staff are working with Applied Analysis on population projections and funding strategies. James added that he knows that Moulton prefers pay-as-you-go funding, as does he, but that medium-term bonds, such as the District has used in the past, are one option on the table. However, this funding mechanism would tie the District's hands for a period of time. Moulton suggested that District staff work with builders on donations of land in areas staff look at to place libraries. She added that it is very positive that the District will be debt-free in 2019 and will make the District able to expand its funding options. She also appreciated the work of staff to keep the District fiscally responsible.

Trustee Wadley-Munier asked about considering locations in facilities such as malls for a small satellite location, perhaps where there would be only a small charge for utilities and the option of some funding by the city of Las Vegas. Mr. James said that the District will still have costs such as staffing and equipment in any new location, noting that it costs about \$2,000,000 per year to operate a branch. He added that this will also be considered in the FMP.

Trustee Wadley-Munier requested that an agenda item to discuss new facilities be placed on a future agenda.

Mr. James said that another consideration for the FMP would be if the Sunrise Manor and Whitney areas created their own city, however; Trustee Benavidez and several other Trustees declared that this area of concern is not active.

Trustee Ence commented that, he has not seen such a large budget for eight to ten years, since 2007-2008. He felt it was important to remember that the District has thrived by being fiscally conservative

and thus, it is in good shape. It has taken at least eight years to build the Mesquite Library that has been needed and he counseled patience for those Trustees who want new locations due to the amount of work they require.

Trustee Yturalde confirmed that the Personnel Study cost would be in the Services and Supply budget and asked about the reason for it. Mr. James explained that the District is working to redesign library staff to meet the needs of the future, so staff duties need to be reassigned.

Chair Ortiz asked Mr. James to confirm the Ending Fund Balance (EFB) for the District this year. James said he is projecting about 10%, which is what we run every year, though, as he mentioned previously, he plans to increase that to accumulate money for the FMP. Ortiz then suggested that the District probably should be at 12-15% to do this and could manageably increase by 1% to accomplish this. James said he would budget for an EFB of 12% this year.

Chair Ortiz then asked about the District's cost of payroll to the overall budget. Mr. James said it runs about 65%. Ortiz then asked how this compared to other public entities and James said that other entities ran about 70-80%. The District's low cost helps its bottom line.

Chair Ortiz next wanted to know if District staff had considered joining with other entities to buy utilities directly. Ortiz knows the upfront cost is expensive but thought staff might want to look into this. Mr. James said that the cost is too expensive at this time.

Chair Ortiz, knowing that the FMP would be a separate discussion, then asked that staff consider looking at the far Northeast part of the Valley, such as in the Hollywood or Las Vegas High School areas for new locations as the population is exploding. He felt the Northwest areas would find the money for new facilities but the areas in the northeast are less advantaged economically and would not find the money. They would not always go to the Whitney or Sunrise libraries for their services.

Finally, Chair Ortiz asked that detailed information on the budget be provided to the Trustees ahead of time, not as a same-day presentation. Mr. James said he would.

Trustee Foyt asked if new library buildings are each site-based designs. Mr. James agreed that, currently they were. She suggested reducing costs by using a standard design, such as what was done by the Clark County School District, only changing details as necessary to fit the particular plot of land. She also suggested placing libraries in shopping malls, such as has been done by the District in the past.

Chair Ortiz added that he wanted to comment that, while publicly the District looks as though it has money, he was upset that the price of the East Las Vegas Library had increased from \$280 to \$540 per square feet, and may go up to \$700 by the completion. That being said, the amount of money left over is relative and all types of prices are rising.

Minutes - Board of Trustees' Meeting Finance and Audit Committee
April 12, 2018
Page 6

Public Comment None.
(Item V.)

Adjournment Chair Ortiz adjourned the meeting at 6:46 p.m.
(Item VI.)

Respectfully submitted,

Felipe Ortiz, Committee Chair

FY 2018-19 Tentative Budget Overview

Finance and Audit Committee

April 12, 2018

Presented by
Fred James, Deputy Director/CFO
Floresto Cabias, Assistant Finance Director

**Las Vegas-Clark County Library District
 FYE 2019**

	FYE 2018 Budget	Preliminary FYE 2019 Budget	Variance FYE 2019 vs. FYE 2018	Percent Increase (Decrease)
General Fund	65,757,212	68,637,872	2,880,660	4.38%
Special Revenue Funds:				
Gift Fund	500,000	815,000	315,000	63.00%
Grant Fund	1,800,000	1,800,000	-	0.00%
Capital Projects Fund	24,816,600	11,826,603	(12,989,997)	(52.34%)
Debt Service Fund	7,669,250	7,658,250	(11,000)	(0.14%)
Total	100,543,062	90,737,725	-9,805,337	-9.75%

Revenues – General Fund

Revenue = \$66.7M

- **Taxes = 97% of General Fund revenue**
 - **Property Tax – 5.5%↑, \$2.2M**
 - **Consolidated Sales Tax – 4.1%↑, \$889K**
- **Other Revenue:**
 - **Fines**
 - **Charges for Services (contract libraries)**
 - **Rentals**
 - **Miscellaneous**

General Fund Expenditures = \$68.6M

- **Salaries and Benefits = \$719K↑**
- **Supplies and Services = \$1.8M↑**
- **Library Media Materials = \$330K↑**

Financial Forecast

Las Vegas-Clark County Library District Budget Projections FY 2019-20 Through FY 2023-24

General Fund	5 Years							
	Actual 2016-17	Curr Budget 2017-18	Tentative Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24
Revenue	61,810,779	70,275,000	66,665,000	69,431,598	72,382,440	75,639,650	79,043,434	82,679,432
Expenditures	55,403,585	65,757,212	68,637,872	70,777,051	73,172,545	76,127,745	79,212,616	82,433,087
Excess (Deficiency) of Revenues over Expenditures	6,407,194	4,517,788	(1,972,872)	(1,345,454)	(790,105)	(488,095)	(169,181)	246,345
Less transfers out		7,400,000	4,200,000	12,000,000	6,500,000	6,500,000	7,500,000	8,000,000
Excess (Deficiency) of Revenues over Expenditures & Transfers Out	6,407,194	(2,882,212)	(6,172,872)	(13,345,454)	(7,290,105)	(6,988,095)	(7,669,181)	(7,753,655)
Fund balance, beginning of year	9,666,594	16,073,788	19,985,654	20,727,245	14,530,008	14,645,979	15,371,915	15,738,331
Fund balance, end of year	16,073,788	13,191,576	13,812,782	7,381,791	7,239,903	7,657,883	7,702,734	7,984,676
Projected Savings		6,794,078	6,914,463	7,148,216	7,406,076	7,714,032	8,035,597	8,373,486
Fund balance, end of year Adjusted	16,073,788	19,985,654	20,727,245	14,530,008	14,645,979	15,371,915	15,738,331	16,358,163
	29.01%	30.39%	30.20%	20.53%	20.02%	20.19%	19.87%	19.84%
Capital Project								
Total available for the year		40,303,223	19,686,623	19,860,020	20,525,020	24,275,020	29,025,020	34,395,020
Less Budgeted/Projected Capital expenditures		24,816,600	11,826,603	5,835,000	2,750,000	2,750,000	2,630,000	2,530,000
After General Fund transfers at 6-30	32,903,223	15,486,623	7,860,020	14,025,020	17,775,020	21,525,020	26,395,020	31,865,020

Capital Projects Fund Projected Expenditures Projected FY 2019-20 Through FY 2023-24

-To Capital Project Fund	2018-19 Budgeted Expenditures	2019-20 Projected Expenditures	2020-21 Projected Expenditures	2021-22 Projected Expenditures	2022-23 Projected Expenditures	2023-24 Projected Expenditures
Integrated Library System Replacement Program						
Technology Replacements & Upgrades Program	3,006,903	2,700,000	850,000	850,000	730,000	630,000
Building Repair & Maintenance Program	2,533,700	1,500,000	1,900,000	1,900,000	1,900,000	1,900,000
Vehicle Purchase & Replacement Program	200,000	150,000				
Library Materials Program	800,000	200,000				
Furniture Purchase & Replacement Program	200,000	300,000				
Financial Services Program	265,000	265,000				
Programming & Venues Program	383,000	720,000				
Capital Construction Program*	4,438,000	-	-	-	-	-
Total Capital Project Expenditures	11,826,603	5,835,000	2,750,000	2,750,000	2,630,000	2,530,000
*Capital Construction Program Detail:						
LVCCLD Foundation						
East Las Vegas Library-Mar2019	4,438,000					
Mesquite Library-May2018						
Facilities Master Plan Projects						
Total Capital Construction Program	4,438,000	0	0	0	0	0

Questions?