

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
April 11, 2019
(approved June 13, 2019)

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in regular session in the Rainbow Library, Las Vegas, Nevada, at 6:00 p.m., Thursday, April 11, 2019.

Present: Committee: F. Ortiz, Chair
R. Wadley-Munier
K. Benavidez
S. Moulton

Board: E. Foyt
S. Bilbray-Axelrod
M. Francis Drake
S. Ramaker

Counsel: G. Welt

Absent: None

Staff: Dr. Ronald R. Heezen, Executive Director
Fred James, Deputy Director/CFO
Floresto Cabias, Assistant Finance Director
Numerous Staff

Guests:

F. Ortiz, Committee Chair, called the meeting to order at 6:04 p.m.

Roll Call (Item I.) All members listed above represent a quorum.

Public Comment (Item II.) None.

Agenda (Item III.) Chair Ortiz approved the Agenda as proposed.

Discussion regarding the Fiscal Year Ending (FYE) June 30, 2020 Tentative Budget submittal to the Department of Taxation and preparation for the May 23, 2019 Budget Public Hearing. No action will be taken. (Item IV.)

Fred James, Deputy Director/CFO explained that the Nevada Revised Statutes require that the District's Tentative Budget for Fiscal Year Ending (FYE) June 30, 2020 be filed with the State Department of Taxation by April 15, 2019. 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 23, 2019.

Mr. James and Floresto Cabias, Assistant Finance Director, presented the Tentative Budget and provided a Financial Forecast for the next five years, through FYE 2025, to place the revenues, expenditures, and proposed capital expenditures based upon the Facilities Master Plan into context. Their presentation is attached as Exhibit A. On the following pages is an explanation of each District fund, which includes additional details about the FYE 2020 Tentative Budget.

FYE 2020 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 2020 are projected at \$71.4 million. As compared to the FYE 2019 Budget, property tax revenue for FYE 2020 is 7.2% higher than last fiscal year. Consolidated Sales Tax (CTX) revenue is estimated to increase by 7.5%, as compared to a 4.0% increase for FYE 2019.

Property tax (63%) and Consolidated Sales Tax (34%) revenues account for 97 percent of all General Fund revenues. The remaining three percent of the General Fund's revenues are generated from library fines, programming and rental charges, revenue from contract libraries and investment income.

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 .61 cents in the District's base operating rate.

Expenditures

The proposed preliminary FYE 2020 General Fund budget amounts to \$72.2 million, a \$3.9 million increase as compared to FYE 2019.

The FYE 2020 Tentative Budget proposes \$10.8 million in library materials expenditures, an increase of 5.8% over current levels. The proposed expenditure maintains the District's practice of allocating to 15% of the total General Fund budget to this area.

A \$7.5 million transfer is proposed in the FYE 2020 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.

The General Fund's ending fund balance is projected at \$8.1 million and amounts to 11% of the total budget, which is slightly higher than the minimum management requirement of 10%.

Las Vegas-Clark County Library District FYE 2020				
	FYE 2019 Budget	Preliminary FYE 2020 Budget	Variance FYE 2020 vs. FYE 2019	Percent Increase (Decrease)
General Fund	68,266,415	72,174,938	3,908,523	5.73%
Special Revenue Funds:				
Gift Fund	815,000	815,000	-	0.00%
Grant Fund	1,800,000	1,800,000	-	0.00%
Capital Projects Fund	13,526,603	13,314,200	(212,403)	(1.57%)
Debt Service Fund	7,658,250	10,000	(7,648,250)	(99.87%)
Total	92,066,268	88,114,138	-3,952,130	-4.29%

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 and expenditures are estimated to be \$815,000 in FYE 2020. The Grant Fund of \$1,800,000 accounts for revenues and expenditures for monies received from state and federal grants. All grants are budgeted as funding is approved by the State.

Capital Projects Fund

A \$7.5 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.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general obligation bonds. Currently, the District has no outstanding debt obligations requiring repayment of bonds.

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 2020 Tentative Budget with the Department of Taxation.

This is for discussion only as the basis for preparing the Tentative Budget for submittal to the State Department of Taxation by April 15, 2019.

Mr. James walked Trustees through the Budget Projections worksheet. He then discussed funding the projects approved by the Board of Trustees as part of the Facilities Master Plan, with estimated costs for those approved for FYE 2020 included in the current numbers. In order to complete these projects, the District's budget must tighten up considerably. If anything goes wrong, District staff will not have the

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flexibility to meet all the demands upon the budget. With this in mind, James said that Ms. Boyer will be setting up meetings to brief the Trustees on different options to manage the Facilities Master Plan project priorities prior to the May meeting so that a decision can be made and the final budget approved. He also suggested that the Trustees reduce the expected timeline for the Facilities Master Plan projects as the buildings are getting older and the District is growing. As well, equipment and technology costs are increasing.

Mr. James said that the District usually spends about 90% of the budgeted expenditures during a fiscal year. In addition, money in the ending fund balance is required due to the timing of the disbursement of the property tax and CTX revenues from the state. In the past few years, the ending fund balance has been close to 20% due to savings by District staff and conservative transfers to the Capital Projects Fund. These savings by District staff on expenditures have allowed the transfers into the Capital Projects Fund. This has paid for the new libraries and will be the initial source of funds for the Facilities Master Plan projects.

In order to fund the different projects currently approved, staff will have to find additional savings in the General Fund expenditures for transfers to the Capital Projects Fund which will draw down the ending fund balance to around 12%. As previously mentioned, the District spends about 90% of its budgeted expenditures, leaving 10% savings for the ending fund balance. So, if the savings do not appear because the budget is reduced from previous years, the District is looking at a 2% ending fund balance.

Mr. James concluded his presentation by explaining that to make the Tentative Budget work he took money from the Technology Replacements and Upgrades Program in the Capital Projects Fund and in the General Services budget. However, that money is needed to fund the current operations of the District.

Counsel Welt asked if government accounting principles have a suggested minimum percentage for the ending fund balance. Mr. James said he believed the upper limit was 25%, and he said 10-12% was healthy. Welt commented that, in previous years, it was 6%. James agreed, but said that occurred prior to his employment. At that time, salaries and equipment costs were not as high as they are now.

Trustee Foyt asked about future plans for the Las Vegas Library building after the District vacates it. Chair Ortiz explained that the building was sold to the city of Las Vegas. The sale proceeds were used for the construction of the East Las Vegas Library. Foyt then asked about the interest rate for the District's investments. Mr. James explained that local government agencies are limited to safe investment vehicles to protect taxpayer money. In addition, due to the money flowing in and out based upon District needs, there is not a lot that stays in the investments for a long time. The District receives interest, but not a large amount.

Trustee Moulton asked if Trustees need to reevaluate the Capital Projects program. Mr. James explained that Trustees need to prioritize

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the projects in the Facilities Master Plan, look at reducing the amount of time allowed to complete these projects, and perhaps consider medium-term bonding or again, the New Markets Tax Credit program. The current facilities need to be upgraded, as compared to the Mesquite and East Las Vegas libraries; they do not have all the dedicated space for programs and the equipment the District provides in the two new spaces. James added that the staff member who heads up the New Markets Tax Credit (NMTC) Program at the US Treasury came to see the East Las Vegas Library and was very impressed. If the city of Las Vegas receives more NMTC money, then perhaps the District can utilize the program again for some of the Facilities Master Plan projects.

Trustee Moulton commented that she believes the District's ending fund balance was the one of the highest of any local government entity.

Chair Ortiz asked whether the District's PERS contribution amount is increasing for employees. Mr. James explained that the contribution is increasing, but there is an offset due to the amount that the employee has to pick up. For example, if the salary expense drops by \$400,000 (as the employees cover more of the PERS contributions), the District's contribution just increased by the same amount. Therefore, it is a wash.

Chair Ortiz then asked about the Branding and Marketing budget. Mr. James said that annual budget for the Department is included in the General Fund, but the District rebranding project (including signage) would be included in the Capital Projects Fund. He will have more specifics in the Budget presentation at the Regular Board Meeting on May 23.

Chair Ortiz closed the item by stating that this item was for discussion only. No action was required.

**Public Comment
(Item V.)**

None.

**Adjournment
(Item XIII.)**

Chair Ortiz adjourned the meeting at 6:33 p.m.

Respectfully submitted,

Felipe Ortiz, Committee Chair

FY 2019-20 Tentative Budget Overview

Finance and Audit Committee

April 11, 2019

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

**Las Vegas-Clark County Library District
FYE 2020**

	FYE 2019 Budget	Preliminary FYE 2020 Budget	Variance FYE 2020 vs. FYE 2019	Percent Increase (Decrease)
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Revenues – General Fund

Revenue = \$71.4M

- **Taxes = 97% of General Fund revenue**
 - **Property Tax – 7.2%↑, \$3.0M**
 - **Consolidated Sales Tax – 7.5%↑, \$1.7M**
- **Other Revenue:**
 - **Fines**
 - **Charges for Services (contract libraries)**
 - **Rentals**
 - **Miscellaneous**

General Fund Expenditures = \$72.2M

- **Salaries and Benefits = \$2.7M↑**
- **Supplies and Services = \$653K↑**
- **Library Media Materials = \$589K↑**

Financial Forecast

Las Vegas-Clark County Library District Budget Projections FY 2020-21 Through FY 2024-25

General Fund	5 Years							
	Actual 2017-18	Estimated 2018-19	Tentative Budget 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Revenue	64,567,920	69,541,044	71,390,000	74,352,685	77,512,674	81,000,744	84,645,778	88,539,484
Expenditures	58,073,676	62,115,188	72,174,938	74,799,741	77,806,380	81,046,723	84,434,063	87,975,350
Excess (Deficiency) of Revenues over Expenditures	6,494,244	7,425,856	(784,938)	(447,056)	(293,706)	(45,979)	211,715	564,134
Less transfers out	7,400,000	6,200,000	7,500,000	12,851,000	8,300,000	8,400,000	8,600,000	8,800,000
Excess (Deficiency) of Revenues over Expenditures & Transfers Out	(905,756)	1,225,856	(8,284,938)	(13,298,056)	(8,593,706)	(8,445,979)	(8,388,285)	(8,235,866)
Fund balance, beginning of year	16,073,788	15,168,032	16,393,888	15,413,905	9,695,850	8,991,708	8,770,753	8,958,136
Fund balance, end of year	15,168,032	16,393,888	8,108,950	2,115,850	1,102,144	545,729	382,468	722,270
Projected Savings			7,304,955	7,580,000	7,889,564	8,225,024	8,575,668	8,944,448
Fund balance, end of year Adjusted	15,168,032	16,393,888	15,413,905	9,695,850	8,991,708	8,770,753	8,958,136	9,666,717
	26.12%	26.39%	21.36%	12.96%	11.56%	10.82%	10.61%	10.99%
Capital Project								
Beginning Balance	32,903,223	16,745,482	10,030,017	4,265,817	3,167,995	58,049	1,153,420	50,281
Misc Revenue	23,362		50,000					
Proceeds from sale of Capital Assets	1,034,254							
Transfers-In From Gen Fund	7,400,000	6,200,000	7,500,000	12,851,000	8,300,000	8,400,000	8,600,000	8,800,000
Total available for the year	41,360,839	22,945,482	17,580,017	17,116,817	11,467,995	8,458,049	9,753,420	8,850,281
Less Budgeted/Projected Capital expenditures	24,615,357	12,915,465	13,314,200	13,948,822	11,409,946	7,304,629	9,703,139	7,999,693
Available Fund Balance For Construction Program at 6-30	16,745,482	10,030,017	4,265,817	3,167,995	58,049	1,153,420	50,281	850,588

Capital Projects Fund Projected Expenditures Projected FY 2020-21 Through FY 2024-25

	2019-20 Budeted Expenditures	2020-21 Projected Expenditures	2021-22 Projected Expenditures	2022-23 Projected Expenditures	2023-24 Projected Expenditures	2024-25 Projected Expenditures
-To Capital Project Programs						
Integrated Library System Replacement Program		300,000	300,000	300,000	300,000	300,000
Technology Replacements & Upgrades Program	1,927,000	950,000	950,000	950,000	950,000	950,000
Building Repair & Maintenance Program	2,702,500	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Vehicle Purchase & Replacement Program	200,000	100,000	100,000	100,000	100,000	100,000
Library Materials Program		-	-	-	-	-
Furniture Purchase & Replacement Program	200,000	100,000	100,000	100,000	100,000	100,000
Financial Services Program	305,000	305,000	305,000	305,000	305,000	305,000
Programming & Venues Program	479,700	500,000	500,000	500,000	500,000	500,000
Capital Construction Program*	7,500,000	10,193,822	7,654,946	3,549,629	5,948,139	4,244,693
Total Capital Project Expenditures	13,314,200	13,948,822	11,409,946	7,304,629	9,703,139	7,999,693

Questions?