

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
April 10, 2008
(approved May 15, 2008)

The Finance and Audit Committee of the Board of Trustees' of the Las Vegas-Clark County Library District met in regular session in the West Las Vegas Library, Las Vegas, Nevada, at 4:30 p.m., Thursday, April 10, 2008.

Present: Committee: A. Aguirre, Chair
L. Overstreet
A. Arthurholtz
K. Benavidez
J. Costello
V. Davis-Hoggard, ex-officio
F. Barron
A. Aguirre
E. Sanchez (via phone)
K. Carter (not a committee member)

Counsel: G. Welt

Staff: Daniel L. Walters, Executive Director
Fred James, CFO

A. Aguirre, Chair, called the meeting to order at 4:31 p.m.

Roll Call Committee Chair Aguirre, Trustees Benavidez and Costello and Board Chair Davis-Hoggard were present when the meeting was called to order. Counsel Welt arrived at 4:34 p.m., Trustee Sanchez called in at 4:42 p.m., Trustee Overstreet arrived at 4:44 p.m., Trustee Barron arrived at 4:46 p.m. and Trustee Arthurholtz arrived at 4:48 p.m. Trustee Carter, though not a committee member, arrived at 5:22 p.m.

Agenda No vote was taken; however, the proposed agenda was followed.

Discussion and possible Committee action regarding the FY 2008-2009 Tentative Budget CFO Fred James presented the Tentative Budget to the Committee. He noted that the goal in preparing the FY 2008-2009 Tentative Budget was to follow a "hold the line" strategy to maintain the District's quality services while also funding capital projects without raising taxes.

submittal to the Department of Taxation and preparation for the May 15, 2008 budget hearing. (Item III.) Two of the major sources of the District's funding are property tax and consolidated sales tax (CTX) revenues. The property tax revenues are based upon assessed valuation of property and in the 2008-2009 fiscal year, property tax revenues have been estimated by the Nevada Department of Taxation (DOT) to increase 6.3% over the 2007-2008 fiscal year. The District has two tax rates for the General Fund and for the Debt Service Fund which total \$.0866 per \$100 of assessed value. This rate has not changed from the previous fiscal year. Using the above rate, for every \$100,000 in assessed value, taxpayers pay about \$30.32 per year (\$2.53 per month) which breaks down to \$26.01 per year (approximately \$2.17 per month) for the General Fund operations and \$4.31 per year (\$.36 per month) supports the Debt Service Fund payments.

Mr. James said that the District expects total revenue of \$80.9 million for the FY 2008-2009 which covers all funds. He said expenditures should total \$103.7 million. The \$22.8 million variance will be covered

by using the reserves built up during the last few years. The expenditures will be broken down as follows:

- \$58.3 million (56%) in the General Fund
- \$36.3 million (35%) in the Capital Projects Fund
- \$2.1 million (2%) in the Special Revenue Fund
- \$7 million (7%) in the Debt Service Fund

Committee Chair Aguirre asked whether, due to the current fiscal crisis, the reserves the District has built up can be appropriated once the DOT sees the Tentative Budget. Executive Director Walters noted that it would take an act of the Legislature to reallocate the District's share of taxes and they do not meet again until 2009. Walters pointed out that the Tentative Budget shows that almost all the savings built up in the Capital Projects Fund will be spent during the upcoming fiscal year. Walters also said that he spoke to Hobbs, Ong and Associates and the District could be vulnerable to a reallocation of the property tax and CTX revenues in the 2009-2010 fiscal year. The District may consider issuing bonds secured by future property and sales tax revenues. That way, the District could demonstrate that any excess revenues are encumbered for debt repayment.

Mr. James said that he proposes to transfer \$12.5 million from the General Fund to the Capital Projects Fund to continue funding the ongoing capital programs:

- \$5 million to the Integrated Library System Replacement Program
- \$1 million to the Technology Replacement and Upgrades Program
- \$1 million for the Building Repair and Maintenance Program
- \$5.5 million to the Capital Construction Program

Mr. James then discussed the four funds that account for the District expenditures. He began with the General Fund, which is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund revenue is expected to total \$69.7 million before transfers. He noted that property taxes and CTX comprise 96% of the expected revenue with property taxes expected to total \$47.8 million or 69% of expected revenue. That total is an increase of 14.4% over the prior fiscal year. CTX revenue is expected to come in at \$18.9 million or 27% of expected revenue which is an 5.8% decrease over the prior fiscal year. Other miscellaneous revenue is expected to total \$3 million or 4% of expected revenue. Overall, General Fund revenues are expected to increase by \$5.1 million or 8% over the previous fiscal year.

Mr. James noted that CTX is a combination of City and County sales taxes and other miscellaneous taxes distributed to most Clark County municipalities according to a State of Nevada formula. He noted that CTX revenue is volatile. James then said the miscellaneous revenue

comes from fines and fees, interest and contract payments to the District.

Mr. Walters noted that the FY 2008-2009 budget will be the first year the District will budget below the DOT estimate on CTX revenues. He said the DOT projections on property tax revenues have been very consistent in the past and so the District has used those numbers. One caveat on the property tax numbers is that the DOT has had a problem with its computer program that has calculated the property tax numbers for the current fiscal year. At the last Board meeting in March, Trustees had been advised that the problems may not be resolved until after the May budget hearing. Walters said that the problem may be resolved in the next several weeks. Any changes in the numbers would be reflected in the budget proposal in May.

Mr. James then broke down the proposed General Fund expenditures of \$58.3 million by function:

- \$40.1 million or 69% for Public Services
- \$1.9 million or 3% for Support Services
- \$8.2 million or 14% for General Services
- \$5.4 million or 9% for Administration
- \$2.6 million or 5% for Information Technology

Mr. James then noted that the General Fund budget also includes an ending fund balance of \$3 million or 5.2% of 2007-2008 expenditures. The ending fund balance is necessary to provide liquidity for cash outflows and acts as a cushion during economic downturns. Any excess balance above 8% may be used for capital improvements or to cover revenue shortfalls in future years.

Mr. James said that the Capital Projects Fund accounts for the acquisition, replacement or constructions of major capital projects and facilities. In FY 2008-2009, \$47.8 million is projected to be available after transfers and will be distributed among the following ongoing capital projects as follows:

- \$10 million for Integrated Library Systems
- \$3.9 million for Technology Replacement and Upgrades
- \$5.9 million for Building Repair and Maintenance
- \$28 million for Capital Construction

According to Mr. James, approximately \$24 million will be spent in FY 2008-2009 on capital construction costs which will cover completion of the Centennial Hills Library, design development work on the Compass Point Library and Service Center and the RFID and efficiency remodels on ten urban branches.

Mr. James said that the Special Revenue Funds account for the proceeds of specific revenue sources. The District's Special Revenue

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Funds are the Grant Fund and the Gift Fund. James noted that he has budgeted for a total \$2.1 million in the Special Revenue Funds with an expected \$1.6 million for the Grant Fund and \$500,000 in the Gift Fund. He also explained that the money is budgeted, but not spent until it is received. This is done so that Trustees are not required to approve an augmentation to the approved budget, with concurrent notification to the Department of Taxation for each grant and gift received.

Mr. James said that the Debt Service Fund accounts for the accumulation of resources for, and the payment of, general obligation bonds. The fund has a \$7 million budget to account for the property taxes that are used to pay principal and interest on bonds. James said there are \$22.8 million in bonds outstanding at the close of FY 2007-2008 and all outstanding bonds will be fully paid in 2012. The debt service levy is \$0.0123 per \$100 of assessed valuation.

Mr. James noted that when the bonds are paid off, the District tax rate will drop from \$.0866 to \$.0743 automatically. Mr. Walters added that if all goes as planned, District taxpayers will experience a drop in their taxes as the Compass Point project is being completed.

Trustee Overstreet asked about the 16% increase in goods and services from the previous fiscal year and confirmed much of the increase was due to increased utilities for Centennial Hills.

Trustee Costello and Mr. James discussed the District's tax rate and how the property tax abatement is calculated. It does not appear at this time that the District's numbers would decrease; in fact they could possibly increase. Mr. Walters said that staff would provide more information on the abatement calculations at the May 15 budget hearing. Walters also said that if the DOT figures change materially prior to the budget hearing, the District could be in the same situation as the City and County; however, in the past the DOT's projected figures on the property tax revenues have been very close to the actual figures so District staff feels comfortable using their preliminary numbers.

Trustee Costello also had questions about projected CTX revenues, fluctuation in the District's investment income, and whether the District had any exposure to auction-rate securities.

Trustee Costello then asked about salary and benefits increases and why projects not yet approved by the Trustees were included in the Tentative Budget. Mr. Walters and Mr. James explained that the numbers in the budget show the highest amount that the District expects to spend based upon the proposed revenues. The numbers shown do not mean that the District will spend the entire amount. In FY 2006-2007, the District spent 97% of the budgeted amount. If the District underestimated the salary and benefits costs or the cost of capital projects, staff cannot simply pull funds from other funds or spending categories. Staff would be required to go back to the Board with an augmentation and notify the DOT. In the case of the capital projects included in the Tentative Budget not yet approved by the

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Board, James and Walters reiterated that the Board would be required to approve the project prior to the money being expended.

Trustee Costello said that he appreciated the additional detail in the budget schedules for the FY 2008-2009 budget as compared to the previous year and complimented Mr. James on his presentation. Costello suggested that James might consider including the estimated actual numbers for the current fiscal year as only the current fiscal year budget amount is included. James said that he can provide a projected surplus number.

Mr. James acknowledged the work of Assistant Finance Director, Floresto Cabias, and the Business Office staff in putting together the FY 2008-2009 Tentative Budget. Trustees gave a round of applause.

Mr. Walters confirmed that the direction he had been given was to provide more information on the tax abatement calculations. Also, Walters said staff would look into providing more detail on the projected actual numbers for the current fiscal year in the budget schedules for future budgets.

**Public Comment
(Item IV.)**

None.

**Adjournment
(Item V.)**

Committee Chair Aguirre moved to adjourn the meeting at 5:34 p.m. There was no opposition and the motion carried.

Respectfully submitted,

A. Aguirre, Committee Chair