

APPROVED MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
February 23, 2023
(Approved on April 20, 2023)

ITEM V.A.

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in regular session via Zoom at 3:30 p.m., Thursday, February 23, 2023.

Present: Committee: K. Rogers, Chair
K. Benavidez
N. Waugh
B. Wilson, ex-officio

Counsel: G. Welt

Absent: S. Ramaker

Staff: Floresto Cabias and Other Library District Staff

K. Rogers, Chair, called the meeting to order at 3:31 p.m.

Roll Call All members listed above represent a quorum. Appendix A.

**Public Comment
(Item II.)** None.

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

**Update on the
District's financial
operations. (For
discussion only.) No
action will be taken.
(Item IV.)** Chair Rogers introduced CFO Floresto Cabias. Cabias acknowledged a noted increase in media coverage regarding the economy. Since The Library District is halfway through the fiscal year, Cabias provided the Committee with an update.

Cabias began with the consolidated sales tax, the CTX. Cabias noted the prior year's consolidated sales tax, since it was an unusual year because The District collected the most CTX ever collected. This was perhaps based on the height of the pandemic, what was called revenge travel, and other large increases during Fiscal Year 2022. The Library District averaged well over 20% increases every month in the CTX. Toward the end of the fiscal year, it began to taper off closer to 10% on average. This was understandable, given there were more worries about high inflation and a possible recession. Cabias said the total CTX collected was 29M dollars, which was well over the amount budgeted by the District.

Going into Fiscal Year 2023, the current budget year, The Library District began down slightly but then increased in September, where there was a 20% increase in that month from the previous year. But, it was all over the place, October was only 8%, and November was 5%, which was the most recent CTX collection The Library District had. Overall, The Library District averaged a 6% increase compared to the prior year for this same period. This was a positive indicator. Even if the trend were to flatten or even decrease, The Library District appears to be in a position to collect

at least the same amount of CTX as the previous year.

Despite the media, Las Vegas is a little different. Unemployment was low, at about 5%. Las Vegas is in the business of hospitality and the service industry is driven by visitors. Although inflation has shifted consumer spending from goods and moved to services, The Library District provided some of the most popular services in the country. Cabias said it bodes well, as far as our future prospects of CTX, and looked quite positive thus far.

The budget was 30M dollars for this fiscal year. If nothing dramatic changes by the end of the fiscal year, the District will reach that 30M dollar number.

The State of Nevada has not yet provided the 2024 Budget number for the Committee.

Chair Rogers asked Cabias to share what the forecasted FY '22 amount was versus the actual on the CTX slide. Cabias said the CTX budget expected in 2022 was 23.4M dollars, so The Library District had a net positive of closer to 5M dollars. The 23.4M dollars budgeted for FY '22 was projected by the State of Nevada. The District was slightly more optimistic in FY 2023 and budgeted 30M dollars. The State's projection was approximately 28M. Again, being a little more optimistic, it turns out so far, The Library District is on track to reach that 30M dollar number.

Cabias moved on to property taxes. The Library District was right on track in terms of property tax collections. In FY '22, at this time last year, The Library District collected 29M dollars. The District has collected 31.8M dollars as of December 2022, which was in our current FY '23. That was a 9% increase. This was close to the 11% budgeted for the entire fiscal year. Revenue collections vary month to month, but The Library District is on target to collect the entire budgeted amount for FY '23 and that amount is 59.2M dollars.

Cabias discussed the housing market. No one has called a housing crash at this point. It has definitely been different from the financial crisis. Assessed valuations drive our property tax revenue collections, which could go up or down in the upcoming fiscal year, but The Library District always relies on tax caps. The District may max out the amount of property tax revenues if capped at 3% for residential properties and 8% for commercial properties. The concern about the housing market does not reflect the commercial real estate market. A large portion of the District's property tax revenues was based on commercial real estate. There are some billion-dollar projects on the horizon that should help increase the Library District's revenue going forward.

Cabias moved on to expenditures. Cabias compared FY '22 expenditures to the current year and there was an increase this year compared to last. As with property tax collections, expenditures follow the same path, in that there was not a smooth distribution throughout the year. There was about a 3M dollar difference between 2022 and 2023, but The District should stay within budget for the entire fiscal year. In fact, The Library District has projected about a 6M dollar savings overall for FY '23,

compared to the budget.

Chair Rogers asked if The Library District was trending to be in the red in any itemized budget categories within the overall budget. Cabias stated the major categories are Personnel Costs, Salaries and Benefits, Services and Supplies, and Library Material purchases. Cabias said The Library District should save in all three of those categories. Library Materials are about 15% of the total budget and The Library District usually spends the majority of that. It also looked like The District could save approximately 3M dollars in the Personnel Costs and Service and Supplies categories. There was no expectation to go over budget in any major category or line item.

Cabias explained why the expenditures were slightly higher. There were more vacancies in FY '22 than the current FY '23 year, as The District has fully reopening and filled positions as needed. Human Resources was working with Teamsters Local 14 to prepare a new Collective Bargaining Agreement, which expires June 30th. There are some factors affecting personnel costs in the upcoming year. One of them would be an increase in Public Employee Retirement System contribution rate. This could be offset by the cost of living adjustment that employees receive each July. The Library District will not know exactly about any increase in Personnel Costs until after further negotiation talks for the Collective Bargaining Agreement. Cabias said revenue projections are received in March and that would be in time to prepare the tentative budget. The plan was to schedule a Finance & Audit Committee Meeting in April to review the tentative budget.

Cabias moved on to expenditures for the Capital Project Fund. Cabias said most of the 11.7M dollar budget had not yet been spent for the current fiscal year. This was because these expenditures are staggered throughout the year. For example, most building maintenance and repair projects, are scheduled for the latter half of the current fiscal year. Thus far, technology replacement upgrades have been 2M dollars. A large piece of the 11.7M dollar budget was for construction of the new West Las Vegas Library. Any amount not spent would be carried forward into the next fiscal year.

Cabias also mentioned the New Markets Tax Credit Program. This federal program provides subsidies for projects in disadvantaged communities, so the West Las Vegas project qualified. Our consultants, facilitators and attorneys for the New Markets Program should be attending our regular April Board Meeting to answer any of the Trustees' questions and discuss the New Markets Program in general.

Chair Rogers asked if there have been any conversations, at a high level, in terms of what amount of funds might materialize from the New Market Tax Credit. Cabias responded, the New Markets Program contributed approximately 20% of the cost that has been allocated. If the West Las Vegas project costs were 30M dollars, The Library District would receive about 20M dollars in allocation, based on our partners' funding and distribution among projects. Of that 20M dollars, receipt of up to 20% could generate a benefit to the District. That would be approximately 4M dollars. It may be closer to 17-18%. More details would be presented at

the April meeting.

Trustee Waugh asked if The District identified any inflation and costs of materials that are most volatile, in terms of price increases for construction materials, and if there was cushioning for those costs. District Staff General Services Director, John Vino responded to this question. Mr. Vino said The Library District was only at 30% design of the actual building at this point. CORE Construction, our CMAR for this project, proposed a constructability review of the project and looked into purchases in advance, like air conditioning systems. The MCC or electrical components could be a year out. The District was identifying those items. It may require work out of sequence. The Library District could break ground and potentially be put on hold up to five months until equipment starts arriving. The District wanted to try to avoid that.

Cabias added that this highlighted the importance of the budget for the upcoming fiscal year. There are a lot of moving parts and Financial Services and General Services work closely together to ensure funding for this project and maintaining reserves.

Cabias provided an update on our internal control reviews. There are ongoing processes from the fixed asset inventory observations, cash handling and library branches. The Library District was comfortable with the controls in place. Scheduled meetings have been set with the Administrative Team Directors to find more efficiencies of improved processes and mitigate any risks, if they exist. This would include Community Engagement, the Programming and Venue Services Department that manages our venues and facilities usage. This would continue throughout the year. There were no formal reports to present to the Audit Committee or Board, but would be forthcoming soon.

Chair Rogers asked if The District was on schedule to meet that planned scope of reviews. Cabias said all of the traditional reviews were on track for completion by end of the fiscal year, going through all departments routinely. Updates would be provided.

Chair Rogers asked if there were any concerns and Cabias responded no, not thus far. Cabias stated a collaboration between Financial Services and other departments look for efficiencies and improvements. Financial Services has always kept a close eye on that. Also, our independent auditors reviewed them and have not had any concerns. The District requested approval to designate HintonBurdick as our auditors again. Last year was their first year auditing the District and appreciated "fresh eyes." They were not only satisfied with our financial statements, reporting and presentation of the financials, but with the overall internal controls that happen throughout the District.

Chair Rogers asked what the timeline was for the external auditor to complete their review and when it would be presented. Cabias responded, the audit traditionally starts after Labor Day. It could take two to four weeks, so by October The Library District would finalize financial statements and the Audit would be presented to the Board for acceptance at the November Board Meeting. The results would also be presented to the Finance and Audit Committee Meeting in November.

Cabias reiterated there would be an April Finance and Audit Committee

Meeting to discuss the tentative budget. That would be for discussion only. The final budget would be presented to the Board at the Budget Hearing in May. Meetings could be scheduled earlier to discuss the economics of the upcoming Collective Bargaining Agreement.

Chair Rogers asked if there were any additional questions for Cabias.

Trustee Waugh asked if there was a reason for the delay in receiving the Department of Taxation projections and whether the delay caused any issues for the Financial Services Department.

Cabias said he contacted the Department of Taxation but had not received a response. He said this was not unusual in the past few years with the pandemic and the volatile sales tax revenues. It has not been a problem for our Department. It was expected the Department of Taxation would provide the projections in time to present the tentative budget to the Committee in April. A larger concern would be a delay in the property tax revenue projections that we traditionally receive in mid-March. Those projections may be received a little later than usual, but Cabias said he was not too concerned about completing the budget in order to present it to the Committee on time.

Trustee Waugh complimented Cabias and his team for the great job they do.

Chair Rogers echoed Trustee Waugh's comment and stated he appreciated the high quality and informative answers to all questions asked.

Cabias acknowledged and thanked Chair Rogers.

Chair Rogers asked if there was anything else under New Business and there was none.

**Public Comment
(Item V.)**

None.

**Adjournment
(Item VI.)**

Chair Rogers moved to adjourn the meeting. So moved by Trustee Waugh. There was no opposition and Chair Rogers adjourned the meeting at 4:04 p.m.

Respectfully submitted,

Dr. Keith Rogers, Committee Chair

