

**APPROVED MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
APRIL 12, 2023
(Approved on May 18, 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., Monday, April 12, 2023.

Present: Committee: K. Rogers, Chair
N. Waugh
K. Benavidez

Board: J. Jiron

Counsel: G. Welt

Absent: B. Wilson, ex-officio

Staff: Floresto Cabias, CFO

K. Rogers, Chair, called the meeting to order at 3:33 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. Trustee Benavidez seconded the motion. There was no opposition and the motion carried.

Discussion regarding the Fiscal Year ending June 30, 2024 Tentative Budget submittal to the Department of Taxation and preparation for the May 18, 2023 Budget Public Hearing. No action will be taken. (Item IV.)

Chair Rogers introduced CFO Floresto Cabias, who began by displaying a power point presentation summary of the District's Tentative Budget for Fiscal Year 2023-2024. Starting with budgeted revenues for Fiscal Year 2024, the General Fund had an increase of 4%. The Special Revenue Funds (Grant and Gift Fund) had large increases from the prior year because the District's Development Office is seeking more in the form of gifts and grants. The District set these budgeted levels high in order to spend the amounts received in the form of gifts or grants. The Capital Projects Fund Revenues represents investment income. This amount is nominal so there is no increase or decrease budgeted for 2024. The same goes for Debt Service Fund. The Library has no debt so the \$10,000 amount simply accounts for any possible fees and revenues that might come in for Fiscal Year 2024.

Cabias moved on to the Expenditures Budget for 2024. Starting with the General Fund, there is a 15% increase. The Special Revenue Funds, expenditures are increasing by the same amount. The Gift Fund expenditure is \$5.0M and the Grant Fund expenditure is \$10.0M. These match revenues looked at earlier because the District can only spend as many Gift or Grant Funds as we receive. These budgets are designed to net zero. The Capital Projects Fund 2024 budget increased by \$22.4M, which is almost double the budget for Fiscal Year 2023. This is because construction of the new West Las Vegas Library project is expected to

begin in Fiscal Year 2024. The Special Revenue Funds Debt Service expenditures are budgeted at the same level as revenues, so that fund is also budgeted to net to zero.

Cabias began reviewing the presentation in more detail. For the General Fund Budget for 2024, starting with the District's largest source of revenues, property taxes, there is an increase of 4%. It is noted that the increase in property tax revenues from Fiscal Year 2022-2023 was 9%. The 4% Fiscal Year 2023-2024 increase is positive, even if at a slower rate than the prior year. The Consolidated Sales Tax is the District's second largest source of revenue. This is driven by consumer spending. The budget for Fiscal Year 2024 is an increase of 5%. It is positive to see an upward trend in these revenues in the current year, given this amount was very volatile considering the downturn that happened in 2020. The consumer appears to be fairly resilient which is why there is an increase in the budgeted revenues. As those increases are coming in consistently, in 2023, Financial Services reports monthly on the status of CTX collections and they are still higher, year over year. Cabias referenced other line items, charges for services, fines, miscellaneous revenue and investment income, these budgets are set in a very tight range. They do not change much in total from year to year, so the District did not budget any fluctuations in these revenues for 2024.

For expenditures in the General Fund Budget, starting with salaries, there is a 14% increase. That is a significant increase and above average for any one budget year. This is due to three different components. The first is annual pay increases that are determined by the Collective Bargaining Agreement or CBA. The District is currently in collective bargaining discussions, so the increase in annual pay for the new fiscal year is based on historical data and analyzing trends because we do not have exact factors to calculate that annual pay increase. Another significant component adding to this increase is the pay scale for all positions. Human Resources worked with Koff and Associates on a compensation study and determined the District's pay scale was too wide; the minimum was too low and the maximum was too high. The District currently has positions that are earning a pay rate that is less than the minimum. The budget reflects an increase to bring those positions up to the minimum. The District is anticipating a potential implementation of a new pay scale that will add to this increase in salaries for Fiscal Year 2024. The last major component driving the increase in salaries are new positions. These positions are being evaluated by administration but have been deemed important to consider for the new fiscal year in order to continue providing the services the Library does.

Benefits Expenditures show an increase of 23%, and benefits are directly impacted by salaries. One of the largest components of benefit cost for the District are contributions to the Nevada Public Employee Retirement System or PERS. The cost of contributions to PERS is based on a percentage applied to salaries. As salaries go up, so does the cost of the contribution to PERS. Another large contributing factor to the increase in benefits for the new budget year is the cost of healthcare. It is expected to increase but is also a cost that is subject to collective bargaining. We are budgeting for salaries and benefits in a manner that takes into

account the General Fund's primary goals. Cabias explained one goal is to maintain a balanced budget that allows for spending that contributes to services provided to customers at the highest level possible, while also maintaining an ending fund balance or reserve healthy enough to adapt to any changes in the economy, especially downturns. Another goal in the General Fund is to generate a surplus that can be transferred from the General Fund to the Capital Projects Fund to meet the goals of the Capital Projects Fund itself. All of these factors are taken into account to come up with the total expenditure numbers in all categories.

Trustee Waugh asked Cabias a question on salaries and benefits. Trustee Waugh asked, we are bringing staff up in compensation for those who were deemed too low, but are we doing any kind of shift for everyone else or are we just moving the bottom up without moving up everyone else? Cabias replied we are moving just the bottom up that are below the minimum pay rate. The budget does not account for any other adjustments or increases for positions not affected by the minimum pay raise but it could be discussed going forward with the represented group. Trustee Waugh thanked Cabias.

Moving to Services and Supplies, there is an increase of 8%. This increase is primarily due to contractual increases for major services such as landscaping, janitorial and security.

The Library Materials budget increased 15%. This Materials budget is calculated based on 15% of the total General Fund expenditures because the District has found it most optimal to create a well-rounded and relevant collection.

The last piece of the General Fund is the Reserve. The ending fund balance is expected to be 15% at the end of Fiscal Year 2024. That represents 15% of the total expenditures in the General Fund. The expenditures between 2023 and 2024 increased by 15%. The 15% is actually lower than the amount we budgeted in prior years. Starting in 2020, the District actually raised the ending fund balance ratio to 20%. The District deemed 20% necessary in response to the effect of the COVID-19 pandemic and would continue operations going forward using 20% not only in 2021, but also 2022 and 2023. That ratio paid off ensuring that operations continued and also created a reserve that could eventually fund capital programs. The District lowered that rate from 20% to 15% in the upcoming Budget Year 2024 because economic conditions are improving. Lowering the Fund Balance percentage from 20% to 15% also added the benefit of increasing the amount available to transfer from the General Fund to the Capital Projects Fund. Based on this budget preparation, \$16.0M is available to transfer from the General Fund to Capital Projects Fund and still maintain a 15% ending fund balance.

Cabias moved to Capital Projects Fund Budget for Fiscal Year 2024. The ending fund balance as of June 30, 2023, will be the fund balance available beginning 2024. Technology Replacement and Upgrades Capital Program is considered one of our more critical programs because relevant technology is important to library services the District provides. The ending fund balance as of June 30th is estimated to be \$6.0M and staff budgeted \$3.5M in transfers from the General Fund to the Capital

Projects Fund to cover expenditures of \$2.6M, still leaving an ending fund balance of \$6.9M. It is the District's practice to maintain a two-year reserve in this program.

Building Repair and Maintenance Capital Program ending fund balance as of June 30th is estimated to be \$9.2M, which requires a \$2.0M transfer from the General Fund to cover the \$4.2M budgeted expenditures and still leave an ending fund balance of \$6.9M in this program as well. This also represents a two-year reserve.

Cabias stated that being back on track with two-year reserves gives the District more flexibility in other capital programs. As an example, Vehicle Purchase and Replacement Capital Program will end Fiscal Year 2023 with \$650,000. No transfers are required from the General Fund in 2024 because budgeted expenditures are \$150,000, which leaves \$500,000 in ending fund balance to support future vehicle purchases in subsequent years.

The Library Materials Capital Program will end Fiscal Year 2023 and begin 2024 with no balance. This is because this capital fund is accumulating funds for a starting collection for new buildings and new libraries. It is the District's practice is to ensure that the most critical programs that need it are properly funded. In 2024, construction of the new West Las Vegas Library will begin with \$1.0M in transfers from the General Fund in order to purchase a \$1.0M collection for the new library. Assuming the collection is ready in 2024, the ending balance is zero because the District would not require further funding until another new library is planned. The \$1.0M budget is an estimate. If the West Las Vegas Library is not completed or the reading materials are not ready in Fiscal Year 2024, those funds would simply roll over to the new Fiscal Year.

Furniture Purchase and Replacement Capital Program will begin 2024 with \$686,000. No transfers are needed because budgeted expenditures are \$125,000, leaving \$561,000 at the end of the year, sufficient to cover needs of future years.

Financial Services Capital Program represents purchase for equipment around the District, primarily copy machines, public copiers and staff copiers. The ending fund balance for 2023 will be \$535,000, with no transfers required with the budgeted expenditures at \$305,000, leaving this capital program with \$230,000. This budget of \$305,000 is assuming that all copiers and other equipment need to be replaced in one fiscal year, which is not likely. The District does accommodate for that possibility.

Community Engagement or Program and Venues is the capital program that supports the venues across the District. In 2020, this program was paused because of facility shutdowns. Budgeted repairs and upgraded equipment purchases funds allocated for those projects accumulated, giving us the \$1.4M ending fund balance as of June 30, 2023. No transfers are required as the budgeted expenditures of \$906,000 still leaves \$482,000 at the end of the year. Moving into Fiscal Year 2025 staff will determine the needs of this capital program and the need for transfers in that budget year.

Cabias refers to the Capital Construction Program and the plan for the

new West Las Vegas Library. At the time of the pandemic, any balance in this fund was transferred to Tech or the Building Program. The District has been accumulating funds since then and most of this balance of \$34.0M would be transferred from the General Fund to the Capital Projects Fund in the current budget year, Fiscal Year 2023. Another \$9.5M is budgeted for transfer from the General Fund to cover the \$25.0M in potential construction costs for the new West Las Vegas Library. This would leave an ending balance fund for 2024 of \$18.5M to complete the project. These are estimates as the construction of the new library has its own budget. General Services has updated the Board regularly on the cost, which could change. Director Vino is managing that budget and, based on the information the District has now, \$25.0M is deemed sufficient to cover construction costs. Any amount not spent will roll over into 2024's ending fund balance for construction taking place in 2025.

Cabias said this is everything staff wanted to present to the Committee at this time. The Tentative Budget will be submitted to the State of Nevada Department of Taxation by April 17, 2023. Cabias reminded everyone to file their taxes and concluded the presentation.

Cabias opened the floor for questions; there were none.

Trustee Waugh thanked Cabias and his team for a well-thought, well-considered budget and presentation and Chair Rogers echoed Trustee Waugh's comment.

**Public Comment
(Item V.)**

None.

**Adjournment
(Item VI.)**

Chair Rogers adjourned the meeting at 4:04 p.m.

Respectfully submitted,

Dr. Keith Rogers, Committee Chair