

**APPROVED MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
SEPTEMBER 7, 2023
(Approved on November 9, 2023)**

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in regular session at the Clark County Library and Via Zoom, Las Vegas, Nevada, at 3:30 p.m., Thursday, September 7, 2023.

Present: Committee: K. Rogers, Chair
K. Turner-Whiteley, Trustee
N. Waugh, Trustee/ex-officio

Counsel: G. Welt

Absent: K. Benavidez, Trustee (excused)
E. Foyt, Trustee (excused)

Staff: Floresto Cabias, CFO

K. Rogers, Chair, called the meeting to order at 3:30 p.m.

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

Public Comment (Item II) None.

Agenda (Item III.) Chair Rogers moved to accept the Agenda as proposed. Trustee Waugh seconded the motion. There was no opposition and the motion carried.

New Business: Discussion regarding the District's financial operations (for discussion only) (Item IV.) Chair Rogers introduced CFO Floresto Cabias, who began the meeting stating that since our Fiscal Year 2023 just ended and that the District's financial audit began this week, he thought it was a good time to update the Committee. Cabias displayed a power point presentation starting with the District's Consolidated Sales Tax (CTX) Revenues - unaudited. Cabias explained there is a lag of about two months so the June sales tax is distributed to the District at the end of August. There is a total of \$30.4M at the end of Fiscal Year 2023. That was an estimated amount based on an average of the previous 11 months. July 2022 to May 2023 averaged a 4.5% increase. As you can see June 2023 was \$2.9M. This would bring the estimated total CTX for FY 2023 to \$30.1M. The actual budgeted amount was \$30.0M, so the estimated \$30.1M about \$300,000 less than our initial estimate of \$30.4M, but it still exceeded the budget. This is because the State of Nevada projects their own figure and they came up with approximately \$28M for the CTX. However, the District thought that was conservative and went with \$30M, which the budget happened to match up with the amount collected for 2023. You can see there are fluctuations

month by month, including a couple months that were negative and then one month with a positive of 20%. Cabias said the question is always- is this the beginning of a trend? As far as the economic indicators we keep track of, it does not seem like it so far. The consumer continues to be resilient. Las Vegas is hosting the big game in February and there are a lot of positive economic events happening so the District is not too concerned about the CTX at this point. He added, the State, who, again, is conservative is projecting a CTX of \$31.4M for Fiscal Year 2024.

Cabias moved to the next comparison slide of property tax revenues between 2022 and 2023. Cabias stated that while CTX revenues are unpredictable, property taxes are not. The District estimated \$58.0M in total property taxes for Fiscal Year 2023 as of August. You will see that the budget is \$59.0M, so there is a difference of \$1.0M, which is unusual. Cabias pointed out that the amount in the budget (\$59.0M) is also prepared by the Nevada State Department of Taxation. This projected number is based on data prepared by the Clark County Assessor's Office. The data is provided to the tax department and they calculate the figure they expect all entities, like the District, to receive. Of all the projections Cabias has seen, the projected number for property taxes has almost never missed, but you can see there is a difference of \$1.0M, which raised a flag for the District. Giving an example of a property owner's primary residence in the mid-2000s the tax cap could only increase by 3% from the year before and commercial property could increase up to 8%. If a taxpayer was living in a half-million dollar home then subsequently moves to second property that's double that, a million dollar property, but does not contact the Assessor's Office of their new primary residence, it would be taxed at 8% instead of 3%. That is a 5% difference which would be significant for the taxpayer. The second home should be taxed at 3% (as primary residence) and the half-million dollar home should be taxed at 8%. The Assessor's office sends out notifications, as they do every year, asking property owners to verify the tax rates, which would account for all adjustments or corrections to the tax role. You might remember this got a lot of media attention last summer. So for last year it would have been June 30, 2022 and tax payers have the subsequent 12 months or all of Fiscal Year 2023 to contact them and change their primary residence. This happened a lot during Fiscal Year 2023 and the Assessor and Treasurer's Office worked hard to correct the record. The set valuations were updated on the properties, new bills were sent and refunds offered where appropriate. This was the primary contributor to lowering our expectation for property taxes. Another way to look at it is the \$59.0M the Assessor's projected for 2023 was correct, at that time, but they ended up making an adjustment of \$1.0M on valuations, or \$58.0M total the District actually collected.

Cabias continued that this is an anomaly. Given the circumstances, the District wanted to assure the Trustees there wasn't a more serious issue happening with the whole process of collecting property taxes or a risk of property values being grossly over or underestimated. The Fiscal Year 2022 Budget for property taxes was \$53.0M and if you compare that to what was

originally expected, \$59.0M, that is an 11% increase. Since the number is more accurately \$58.0M, what we collected, the difference between \$53.0M and \$58.0M is 9%. A 9% increase in property taxes would be strong in any year. That is above historical average.

The Fiscal Year 2023 Budget of \$59.0M compared to the \$58.0M collected is a 2% or \$1.0M decrease. Hopefully the explanation is understandable as to why there is a decrease in expected property taxes revenue collections in the fiscal year. Cabias added as far as the timing, the State Department of Taxation calculates this revenue projection in March and distributes it to all local governments. The number is used by the District for the tentative budget that is presented to the Finance and Audit Committee in April for adoption in May. The big drive to encourage taxpayers to update their property tax rates happened in June, which is after all budgets from all local governments were finalized. It was not apparent what the final impact on property taxes was going to have until then. This is really on the District's radar because property taxes are our primary source of revenue. We rely heavily on it as opposed to a larger organization that does not rely on property taxes for their sole revenue. It does, however, appear to be affecting all local governments in Nevada.

Cabias asked if there were any questions at this point? Trustee Whiteley had a question, did I hear you correctly that this is sort of a one-time miss? Cabias replied that we do not expect a miss like this to continue going forward at this magnitude because the majority of corrections were made in Fiscal Year 2023. The District might have benefited from this in years past unknowingly. Cabias added that the budget for 2024 is a little over \$61.0M and that is a 6% increase from the \$58.0M we collected this year. This conversation is not expected next year but we will definitely let the Trustees know if there is any concern going forward. Trustee Whiteley thanked Cabias. Chair Rogers also thanked Cabias for a thorough explanation of the shortfall.

Cabias moved on to Expenditures for the General Fund. The estimated Expenditures for Fiscal Year 2023 is at \$69.0M. This is \$7.0M under the Fiscal Year 2023 Budget. Cabias noted the FY 2023 estimated expenditures was also a \$7.0M increase compared to FY 2022 actual. It may not be mentioned enough that the examples of salaries and benefits are budgeted as if every position is filled every day of the fiscal year. The same thing is true for services and supplies in that we consider the maximum amount the District may need, although we may not actually incur those expenses. So there are savings in both examples. Therefore the \$76.0M budget for Fiscal Year 2023 is at 100%. Again, we do expect savings in these as compared to the Budget.

A recap of the entire income statement for the General Fund reflects the decrease in the CTX just discussed, but is still a total of \$90.0M in revenues. You can see that the \$1.0M shortfall in property taxes is offset by overages in other revenues. Cabias highlighted the expenditures (estimated) for

Fiscal Year 2023 are at \$69.0M, which is \$7.0M less than the Budget. Cabias noted this has been important in every budget prepared for the District in that we plan for these potential risks, for example, the pandemic. Being able to control these expenditures allows us to generate an excess. We operate to generate an excess.

The District has been building reserves for the new West Las Vegas Library for a couple of years now. It has been the District's budgeting practice to build this reserve. Because of our conservative spending during the pandemic, the District had a beginning fund balance from the prior fiscal year of \$35.0M. Referencing the presentation slide, even with the transfer of \$34.0M to Capital Projects, the District has an ending fund balance of \$23.0M, which will be available for spending in 2024. Some of this amount will eventually be transferred to the Capital Projects Fund in 2025. So you can see, the District has budgeted to end up with a \$15.0M fund balance, which is 15-20% of our total expenditures. Because of the District's spending practices, we actually ended up with a \$23.0M fund balance, which is 34% of our expenditures. Much of this fund balance will be available to transfer in future years to continue funding our core capital programs like Building Maintenance and IT replacements. It also gives us a head start on potential significant capital projects down the road. Chair Rogers commented saying "excellent".

Cabias moved on to the summary of the Capital Projects Fund. Starting with Fiscal Year 2022, we had a lower-than-average budget of \$5.9M because we were coming out of a very conservative spending practice and only spent \$2.8M. Much of this \$5.9M budget was for repairs and maintenance. The reason we underspent in 2022 is because we deferred projects until 2023. That is why the Fiscal Year 2023 Budget spiked. Another component of the increase was about \$4.0M was earmarked for construction of the West Las Vegas Library. Those funds were not used in 2023 either so the District only spent \$5.5M in the Capital Projects Fund. The difference rolls over to the subsequent fiscal year. These funds will be available for the new West Las Vegas Library, which construction is starting very soon.

The District is normally not concerned with investment income because it is a small portion of the inflows to Capital Projects, but it just so happened to significantly outperform in 2023. The reason for that was higher interest rates and safe investments. Highlighting another financial source, is the proceeds from the sale of assets to the tune of \$3.2M. That is actually from the sale of the current West Las Vegas Library. These are additional funds that will be available for construction on the new library, but this is a one-time inflow of cash. It is not something we see very often.

The District also had a healthy fund balance going into 2023 of \$23.9M with all these financing sources in which we ended up with \$56.0M at the end of the year. Cabias stated that although there was a thorough discussion in May, since it is audit time, it was a perfect time to show the Committee where we stand. These numbers are being audited, but the bottom line is

the District is financially healthy. We are well prepared going forward for any other downturns, either in the economy or anywhere else that could put the District's financial health at risk.

Chair Rogers asked for clarification on the work the District is doing from a development perspective to raise money to support overall operations, in particular, the capital project. Cabias responded that these financial reporting presentations focused on the General Fund and Capital Projects Fund, but there are other funds. You are speaking of Gifts and Grants. There are a lot of noteworthy gifts and grants being obtained by the District because of all the efforts in our Development Office and the Foundation. Those are funds that will be going towards construction costs of the new West Las Vegas Library, they were just not reflected in these financials. There are funds that are significant and you will find accomplishments in the Development Office reports. There is appropriation that Development is working on right now that could be as much as \$10.0M, which would potentially be available for construction and other projects across the board because we are so well-funded for the new library. Cabias mentioned another point that is not reflected here is funding from the New Markets Tax Credit Program. The District expects to close the New Markets transaction either in December 2023 or January 2024. There are a lot of investors around the country that want to be a part of it and support it. The District is also expecting approximately \$5.0M in federal subsidies that will also be contributing to the cost of construction of the new West Las Vegas Library. Aside from the \$56.0M in total resources available to begin Fiscal Year 2024, there are all those other funds, including the gifts and grants, along with New Market funds as well. Chair Rogers thanked Cabias for adding additional context. Cabias pointed out that while the District talked about the \$56.0M, there really are more revenue sources outside of that to contribute and put the District in an even stronger financial position.

Cabias thanked all the Trustees for attending today, stating he was providing all this information ahead of time since the audit is ongoing. The audit will continue throughout September and October. The Committee will have it for review in November for the Finance & Audit Committee Meeting, which will include HintonBurdick representatives to present the results. The District will be asking the Committee to accept the audit report and recommend acceptance of the audit report to the Board at the November 9th regular Board of Trustees' Meeting. Cabias asked if there were any other questions. No questions were presented. Trustee Waugh thanked Cabias for his team's continued diligence and for this update. Chair Rogers echoed what Trustee Waugh said in that he appreciated the thoroughness, all the expertise, and the way Cabias laid out the financials with notes on the side, stating that it makes it easy for everyone to follow. Cabias thanked Chair Rogers.

Chair Rogers requested public comment. There was none. Chair Rogers asked for motioned to adjourn. Chair Waugh moved to adjourn and Trustee Whitely seconded.

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

**Adjournment (Item
VI.)** Meeting adjourned at 4:00 p.m.

Respectfully submitted,

Dr. Keith Rogers, Committee Chair

FINANCE AND AUDIT COMMITTEE MEETING

September 7, 2023

	TRUSTEE	2023-2024
	CHAIR ROGERS	PRESENT
	TRUSTEE BENAVIDEZ	EXCUSED
	TRUSTEE FOYT	EXCUSED
	TRUSTEE WAUGH	PRESENT
	TRUSTEE TURNER WHITELEY	PRESENT
	Chair Rogers, you have a quorum	YES
	And for the record:	
	TRUSTEE JIRON	
	TRUSTEE ORTIZ	
	TRUSTEE SANCHEZ	
	TRUSTEE DUTOWSKIK	
	TRUSTEE SHELTON	