

APPROVED MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
November 6, 2023
(Approved on January 11, 2024)

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, November 6, 2023.

Present: Committee: K. Rogers, Chair
K. Benavidez
N. Waugh
K. Turner-Whiteley

Trustees: K. Dutkowski
E. Sanchez

Counsel: G. Welt

Absent: E. Foyt (Excused)

Staff: Floresto Cabias and Other Library District Staff

Presenters: Ryan Kenter, Crescent Growth Capital LLC
McKay Hall, HintonBurdick CPAs & Advisors

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 stated he was expecting Ryan Kenter with Crescent Growth Capital for discussion regarding the New Market Tax Credit Program, but he had not yet arrived. Cabias continued and said, as a refresher, these are the nonprofit organizations that receive federal allocation to invest in distressed communities like our community in the Historic Westside. We had the opportunity to take some of these entities on tours of our libraries and show them the West Las Vegas site to let them know what they are investing in and to see the community benefits that are going to be provided by this new library. Mr. Kenter will discuss his conversations with the community development entities, as there are a number of them that are interested in our West Las Vegas project. He will go over the time line, where we stand now and what the schedule looks like going forward.

Trustee Sanchez asked if it would be possible to get a one-page timeline after the meeting and Cabias answered, absolutely.

Ryan Kenter arrived at the meeting and Cabias introduced him and

turned the presentation over to Kenter.

Kenter stated he had been speaking with Community Development Entities (CDEs) over the last two months and in September the allocation awards were announced. A number of CDEs who have an interest in the West Las Vegas Library won awards. The first one would be Enterprise Bank. They are a CDE out of St. Louis, MO. They are going to committee tomorrow for between 5 and 10 million in allocation. Kenter reiterated that we are looking at trying to get 30 million in allocation on this project. Given the interest we have, we may be able to upsize that sum. He continued stating that Clearinghouse, a CDE on the West Coast, which also participated in the Mesquite transaction, will also do up to 10 million. Potentially, right there, it could be as high as 20 million between the two CDEs mentioned.

Kenter added Accion Opportunity Fund, out of San Jose, CA are looking at this project for 10.5 million. They were hosted on our site visit last month. Accion has been asking a number of follow up questions and the process seems to be going well. Finally, McCormick Baron Salazar, based in St. Louis, MO might have up to 7.5 million for us. Kenter stated all of this is in flux right now and hoping this settles down after Thanksgiving.

On the investor side, where the investor CDE is the banks who buy the tax credit, we have two leaders, Chase, who also did the Mesquite deal, and Capital One, who did the East Las Vegas project. Chase is being very aggressive. They are going to their investment committee to get approval now. The hope is that they could bring in 3 to 4 million of allocation. Kenter noted that typically bank allocation does not come with CDE fees, so the 3 million dollar bank allocation is probably equivalent to a 5 million nonbank allocation. Capital One is also very interested but are taking a bit more of a wait and see approach.

Cabias asked that before we go further, could Kenter give us a general overview of what these dollars mean, the net benefit impact? Could you explain that we get a certain percentage of that allocation that is contributed towards construction of the West Las Vegas Library? Kenter responded, we tell sponsors that on a 10 million dollar allocation, they can expect a net benefit from the New Market Tax Credits of about 15%, so 1.5 million. On a 10 million dollar deal, rather than spending 10 million, the library would have to spend 8.5 million, and then the tax credit equity or net benefit covers that other 1.5 million. Kenter continued, when you are talking about 30 million in allocation, that net benefit on 15% is about 4.5 million. We might be able to do a little bit better than that but will be conservative up front and see where the CDE fees come in and go from there.

Cabias asked what is the total now based on the interest that you just described to us from these CDEs? Kenter replied that if Enterprise comes in at 10, I think Clearinghouse could be at 10 as well. There is 20, and Accion is at 10.5, that's 30.5. If Chase comes in at 3, that's 33.5. That's probably where we are right now. There could be an additional CDE or two that comes in with some additional allocation. Kenter also mentioned that between predevelopment costs and FF&E and so forth, we do have the potential to go higher, but our goal was always 25 to 30 million. And by the way, in terms of timeline, the application for the next round came

out last week.

Kenter said, more importantly, the threshold deadline came out. That is when the awards are announced. The Treasury says you have until a certain date to get 20% of the award that we just gave you out into closed deals and that date is March 21, 2024. Kenter went on to say that the average amount of time it takes to close the deal from the time LOIs (Letters of Intent) and term sheets are executed to closing is typically 90 days.

Kenter added, part of the great interest in the library is that The Library District has done two deals before. The District knows how this works and frankly with Floresto, John and your team, you have the horsepower to get this done under that time frame, so that is certainly a good thing.

Cabias said, just to summarize, the 25 to 30 million dollars Ryan refers to as our goal is matching the cost of construction for the West Las Vegas Library project. Our current budget is \$35 million. At our last meeting, General Services Director, John Vino pointed out that the budget could increase because of escalating construction costs up to 36 or 37 million dollars. Even if the cost of this project gets to 40 million dollars, which we do not expect, we are prepared to provide funding and finish construction, even at that dollar amount. With the New Markets Tax Credits, as Ryan is describing, we could go up to 40 million dollars if that is the cost of West Las Vegas. That would be 100% allocation and the maximum amount of New Markets funding we could receive. I just wanted to put that in context.

Moving on to investor banks, Kenter said with Chase and Capital One potentially at 3 to 4 million in allocation, I did want to mention to you that we are talking to a couple of other CDEs, who have participated in the Nevada State New Market Tax Credit program. For the Board's benefit, that is a program that essentially piggybacks off the federal program with the difference being that the tax credit goes to the state franchise tax liability. The interesting thing about this program is that deals cannot close until June 1, 2024. As I understand it, they have the 2-year look back period that the federal side does too. All of this to say that a couple of CDEs who participated in the state program, not the ones I mentioned, but other ones are looking at potentially participating in the state program. Our goal is to get the federal program done now and come back to the state program. We could possibly close the 30 million dollar deal now and also close another deal in the summer. This is because when you close a New Market Tax Credit deal, you have 12 months to spend those funds and you also have a 24 month look back period. Given the construction time frame, it puts us in line for the next round of allocation. Kenter said he talked with the Las Vegas CDE and they wanted to do this deal but their application did not go through successfully and they were very bummed out about that. Theoretically, if they win the next round, there may be some additional room. It can play out a number of ways. The great news is this project is getting a lot of interest from a lot of different people.

Cabias added that the FF&E or furniture, fixtures and equipment, is additional cost not part of the construction of the library itself. There are even more costs that would benefit from getting more allocation from

these CDEs. Ryan and Crescent Grown Capital have made significant efforts in promoting and raising as much funds as possible for this project.

Cabias continued, just to confirm, some of these CDEs could be awarded funding in the next round, does this mean next fiscal year, meaning we could close 30 million dollars this fiscal year and raise more funds in the new fiscal year, say the summer of next year? Kenter agreed, saying we are putting projects in people's applications right now for the next round, so it is something to think about. Cabias asked if there were any questions from the Trustees?

Trustee Sanchez asked if the cost is more expensive because prices are going up or inflation, and we go up to 37 million, but then go under budget say at 35 million, is there a penalty or how does that work?

Kenter answered, I want to back up for a quick second. You mentioned 30 million, I am talking about 30 million in allocation authority. So when I talk about the net benefit on 30 million at 15%, being 4.5 million, the library would use 25.5 million of its own funds and combine that with the 4.5 million of the net benefit from the tax credits and that is how you get your 30 million dollar project. In the question of - is there a penalty, typically we have not seen a penalty basically because everything we are seeing is going over budget. But no, to answer your question, at least so far, everybody has been able to figure out a way to spend that money.

Cabias added it's probably not very common that an organization receives 100% of New Markets funding to match the cost of their project. Here at The Library District, for the West Las Vegas Library, there will probably be no shortage of costs that qualify for New Markets funding. The building itself could be around 35 million, and we talked about FF&E up to a million dollars of a brand new collection that would be provided to the new library. That is another cost that is eligible for New Market support. Kenter replied that is correct, it is eligible.

Cabias asked if there were any questions about the deadlines and none were asked.

Cabias asked Kenter to go over an example of the logistics with respect to the role that the Library District's Foundation plays. The District, as a sponsor of this program, would be transferring money over to the Foundation so they can play their role as the leverage lender. Can you cover that briefly? Kenter responded, let's say these CDEs, Accion, Enterprise, Clearinghouse and Chase have a combination as a group of 30 million in allocation. They send all of the LOIs and term sheets. The District executes them and we start closing. We go through checklists and run a preliminary model based off of the pricing and fees and, at the time of closing, this will show how much the leveraged lender, The Foundation, will need to have at closing. If 4.5 million is coming from New Market Tax Credits, 25.5 million needs to come from the Foundation. Whatever closing date we come up with, the Foundation will need to have in its possession that 25.5 million (example). It does not need to be there today, but it does on closing day.

Cabias added, I wanted to emphasize that for the Finance & Audit Committee, because this is something that impacts our budget. As we

discussed in previous meetings, we have been well prepared to fund construction of the West Las Vegas Library project. We definitely have that money going to work in our investments accounts while it is waiting to be spent on construction or transfer to the Library District Foundation. Our budget in the Capital Projects Fund for the new library was based on our original goal of about 25 to 30 million dollars. Now that we know the potential is as much as 35 to 40 million dollars, we will need to raise the Capital Projects Fund expenditure budget so that the District can actually transfer funds up to 40 million dollars to the Foundation and be ready for closing. This will likely be an agenda item in January when we have more information.

Cabias continued, one more thing I want to cover is the engagement of Novogradac with the Library District Foundation. Novogradac is the CPA firm, the last member of our team, that will be going to work soon. They will be preparing the forecasts that are required for the New Markets process. Can you talk about the work Novogradac will be performing Mr. Kenter? Kenter responded, we work with them constantly on all of our deals with the group out of Dover, Ohio. They take the flow charts and blow out every piece of it and usually ends up being a 90-100 page model. They will do agreed upon procedures based on any number of different items specific to the project. We want them engaged sooner rather than later. We want them to have a head start on that model given the number of potential CDEs and investors on this deal. Cabias added that we have monthly Board meetings where the term sheets can be approved or, if needed, a special meeting of the Board can be called in order to provide that approval. I will add that just like Crescent Growth Capital and Novogradac, our accountants will be engaging the Foundation directly. This is our standard practice. The Library staff will be attending the Foundation's next Board Meeting on November 16th to recommend the Board of Directors approve an engagement between the Foundation and Novogradac. Are there any questions?

Chair Rogers asked, could you inform the Board concerning once those transfers are made into the Foundation's account, how construction expenses are paid? Cabias responded that once the transfer is made to the Foundation, it is traditionally controlled or managed by the District. We work closely with the contractors and the construction managers so the District actually makes that expenditure along the way when construction starts. Then that is reimbursed by the New Market structure; one of our New Markets entities. Chair Rogers added, I just wanted to hear that response with Board members going through the first process and assuring them that all those things are covered and we are following the same processing protocols as the two previous deals in this relationship.

Trustee Sanchez asked is there are any signatures necessary from the Foundation? Kenter said he would check and find out. Cabias added that from memory, the CFO of the District signs quite a few of the documents, most of them, but we will definitely provide that information and get verification. Chair Rogers responded that whatever sort of commitments that need to come from the Foundation or responsibilities should be laid out clearly when you do the presentation at their Board meeting. Cabias advised he would do so. Chair Rogers asked if there were any additional

questions and there were none. Cabias thanked Kenter for the detailed update. Kenter replied, thank you for having me.

Chair Rogers moved on to Agenda Item IV.B, which is discussion and possible Committee action regarding a recommendation to accept Fiscal Year 2022-2023 Audit Report and acceptance of the Fiscal Year 2022-2023 Audit at the Board of Trustees' meeting on November 9, 2023. Floresto, I presume you will be taking the lead on this one.

Cabias began, it's that time of year again. With respect to the audit, it is McKay Hall, who is with HintonBurdick, our partner on our audit engagement. This is HintonBurdick's second year of auditing our financial statements. I want to acknowledge their professionalism and expertise in taking advantage of the synergies we have gained by one CPA firm performing audits on all of our entities. The Library District is also made up of other component units, which includes the Library District Foundation and two nonprofit corporations we discussed; the East Las Vegas QALICB and the Mesquite Library QALICB. Mr. Hall and his firm performed audits on all four of these entities. The efficiencies they gave to ensure that these audits were done timely was remarkable. I also want to thank our accounting manager, Martha Ford, who can take a lot of credit for ensuring that this audit process went smoothly. The audit is a reflection of the financial work that the District goes through throughout the year. With that, I will let Mr. Hall present the results of the audit.

Hall began by sharing his screen/PowerPoint presentation and said that even under the best of circumstances, an audit can be a bit of an interruption in the normal course of operations and it takes additional work and effort to get through. When you have staff changeovers it can be more so and the District team handled it with great aplomb. I give my commendation and express our gratitude there. This is a quick presentation on the Financial Audit for Fiscal Year 2023, running from July 1, 2022 through June 30, 2023. When we come in to perform a financial audit our objective is to obtain a reasonable assurance whether the financial statements, as a whole, are free from material misstatement. Material misstatements are considered material if there is a substantial likelihood that individually or in aggregate, those misstatements would influence the judgment made by a reasonable user of the financial statements. When we come in, we are performing tests, analytics, confirmations with outside parties and tying the information to supporting documentation, as well as confidence and comfort that the information is being managed and recorded by your financial department. Audits are conducted according to the standards accepted by the United States of America as a special service district, as a local government unit, according to the standards issued by the Comptroller General of the United States. If, in the course of analysis, we note there is a situation that would make it highly likely that a material misstatement would be processed or not caught by the finance department, we call this a material weakness. If a material misstatement would be processed through without being caught, then that would give rise to a significant deficiency finding. We also advise The District where it could improve its efficiency and effectiveness.

Here are the results of the audit for this year. There is an Independent Auditor Report for the financial audits on pages 1 through 3 on your Annual Financial Report. We are happy to note and issue an unmodified or a clean report. No qualifications, no modifications. As a Board, you can rely on the information in those financial statements as materially correct based on our test work. There is also a report on compliance and internal controls over financial reporting on pages 63 through 64. We are happy to note that there were no material weaknesses or significant deficiencies for the District for Fiscal Year '23. I think it speaks volumes to the dedication and focus of your team. It is not uncommon for local governments to have a couple, just because people are people. It takes a level of focus, concern and dedication to make sure everything is done properly and there are no material weaknesses or significant deficiencies found. I commend your team there.

With the single audit, that audit entails additional procedures and test work for compliance related to major programs; your major funding sources with federal funding. We are happy to note that with the single audit for the District in Fiscal Year '23, there is an unmodified or a clean opinion.

There are a couple of key numbers you should watch over time. The total net position, equivalent to the District's equity, at the end of Fiscal Year '23 was 215 million. That number, as well as some detail, can be found on pages 14 and 15. Overall the net position increased by \$19,821,637 this year. Unrestricted net position is a good one because that grows. It increased this year by \$15,126,579 from a balance of about 18.5 million last year up to a balance of 33.6 million this year. Classification in net position is in a couple different groups. Net invested in Capital Assets, the District had a balance of 158 million as of June 20, 2023. Those are resources the District can use, but it is not liquid. Restricted, those are typically funds from grants or revenue source that have a very limited or specific purpose. The restricted fund balance net position for the District as of June 30, 2023 was 23.7 million. The unrestricted balance was 33.6 million. You want the net position to be increasing over time, so that is a good number to watch.

We have a five-year trend here on a graphic. This is the three components of equity broken out over the last five years. The top line with the diamonds is your net invested in Capital Assets and, as you can see, it is slowly trending upward and remaining fairly consistent. The red line across the middle with the squares, those are restricted net position, and, as you can see, they go up and down a little bit, but remain fairly consistent. The third line with the triangles is unrestricted net position. Five years ago the District was in a position of a deficit in the unrestricted net position. That has been addressed over the last five years and came up to 18.5 million in 2022 and has continued to increase so that is a good trend.

The next five-year trend we look at is the restricted and unrestricted cash and investments. The line across the bottom with squares is the restricted. The line across the top with the diamonds, that is unrestricted cash. Much like unrestricted net position, there is a lot more availability for the Board to decide exactly how those funds are used. Unrestricted

funds have been increasing over the last five years.

Looking at the General Fund, which is the main operating account for the District. The General Fund is a government fund and its main purpose is not to generate profits, so over time the expectation is that the fund will break even. The District has been able to maintain its revenues and expenditures fairly consistently over the last couple of years.

The Foundation's funds are accumulated in providing resources to the District and we don't generally expect a large gap between revenues and expenses. We can see over the last five years The District has followed that trend.

The Capital Projects Fund is shown with the blue line with diamonds, that is transfers in. The red line with squares are expenditures. The blue line with triangles is the fund balance. Given the nature of the Capital Projects Fund, over time it should zero out. We typically see the resources being gathered and then spent down as the capital projects occur. That is the trend here. Given the projects coming up, we expect to see an increase in the fund balance up from prior years into Fiscal Year '23.

Hall asked if there were any questions? Trustee Sanchez asked if it was possible to have the PowerPoint presentation sent to the Trustees? Cabias responded that he would make sure the PowerPoint goes out to the Trustees and it is a part of the Agenda for the upcoming Board meeting. McKay Hall will be in attendance to answer any questions. Chair Rogers added, if it is not already a part of the Board packet, then we should share it with the Board members, especially those who might be interested in our audit result. Cabias responded by saying it is also available in Diligent. Hall ended the presentation by saying if there were any additional questions, their contact information is on the presentation.

Chair Rogers gave a shout out to the team adding this is the best you can get in terms of an audit result. We appreciate the attention to detail ensuring that we are in compliance in all of our dealings.

Chair Rogers read the Motion to recommend acceptance of the Fiscal Year 2022-2023 Audit as presented by the auditors at the Board of Trustees meeting on November 9, 2023. Chair Waugh so moved. Trustee Benavidez seconded. All Board Members were in agreement and none opposed. Motion carried.

**Public Comment
(Item V.)**

None.

**Adjournment
(Item VI.)**

Chair Rogers moved to adjourn the meeting. So moved by Trustee Benavidez and seconded by Chair Waugh. There was no opposition and Chair Rogers adjourned the meeting at 4:39 p.m.

Respectfully submitted,

Dr. Keith Rogers, Committee Chair