

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
JANUARY 27, 2010
(approved February 11, 2010)

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in regular session in the Las Vegas Library, Las Vegas, Nevada, at 11:30 a.m., Wednesday, January 27, 2010.

Present: Committee: V. Davis-Hoggard, Chair A. Aguirre (via telephone)
R. Ence

Board: L. Carrasco M. Saunders

Counsel: G. Welt

Absent: K. Benavidez
K. Crear

Staff: Jeanne Goodrich, Executive Director
Fred James, Deputy Director, CFO
Executive Council members
Numerous Staff

Guests:

V. Davis-Hoggard, Committee Chair, called the meeting to order at 11:32 a.m.

Roll Call (Item I.) Trustee Saunders arrived at 11:33 a.m. Trustee Aguirre (Committee member) attended via phone and called in at 12:01 p.m. A quorum was achieved once Trustee Aguirre arrived. Trustees Benavidez and Crear had excused absences.

Agenda (Item II.) Trustee Ence moved to approve the Agenda as proposed. There was no opposition and the motion carried.

Discussion on the projected revenue versus operating expenditures required to maintain the current level of operations. (Item III.) Executive Director Goodrich explained that the meeting was designed to be a work session in order to discuss the District's revenue projections for the FY 2010-2011 and later years. She felt it was important to show the large projected drop in property tax revenues in contrast to the operating expenditures required to maintain the current level of operations. She emphasized that the information being provided at this meeting would also be provided to staff who attend the District's Department Head meeting on February 3, one of the 24 sessions scheduled with staff at locations around the District, and in several All District Memos. The information will also be provided to Teamsters 14 representatives as meetings have been set up with them.

Ms. Goodrich provided background information on the District's budget to begin the discussion.

Revenue

- 96% of District's General Fund revenue comes from the Real Property Tax (74%) and the Consolidated Sales Tax-CTX (22%).
- Property Tax is projected to be 25% below this fiscal year's level and FY 2009-2010 is 8% lower than original projections. The District is not unique in experiencing the decline in revenue and

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in underestimating the rate of decline of revenue.

- CTX fell almost 9% below projections and is projected to be flat going into FY 2010-2011.
- Once property values do begin to increase again, the District will be limited to about 4-5% growth.
- At this point, projections indicate that the FY 2009-2010 levels of property tax will not occur again until FY 2017-2019, seven years from now.
- District tax rates are set by state statute.

Expenditures

Operating budgets have been allocated in the following way:

- 58% Salaries and Benefits
- 21% Services and Supplies
- 20% Library Materials
- 1% Capital Outlay

Budget Policies and Practices

- The District has budgeted for a beginning fund balance of 5-10% of the operating budget (General Fund). This fund balance carries over to the next fiscal year as the beginning fund balance and is necessary to provide operating funds between July 1 (the beginning of the fiscal year) and mid-November, when tax monies start coming in.
- The District established a Capital Projects Fund a number of years ago. The Fund consists of five programs which accumulate funds for major, future purchases and expenditures. The programs are:
 - Integrated Library System (the system that is used for circulation, the library catalog, and for ordering library materials) replacement
 - Computer and other technology replacement and upgrades (staff and public computers, printers, servers, network gear, telephones, materials handling equipment, etc.)
 - Building repair and maintenance (roofs, chillers, carpet, major infrastructure repair and replacement)
 - Capital Construction (new buildings, branch efficiency remodels)
 - Library Materials (opening day collections for new library branches)
- Transfers are made from the General Fund into the Capital Projects Fund as part of the annual budgeting process.

Windmill Library and Service Center

- Medium Term Bonds were sold in the spring of 2009 to pay for this facility. The proceeds from the sale of the bonds cannot be used for general operations.
- Over \$15 million has been spent on this project to date.
- The bonds are not callable (that is, the interest of \$14.85 million must be paid on them; there is no advantage to prepayment).

Ms. Goodrich explained that stopping the Windmill project, unlike other projects that shut down such as Echelon and Fountainbleu, would not be possible as the funds are available to complete the project. Also, the area, regardless of the number of foreclosures, is still a high-growth area that needs the library services the District provides.

Deputy Director, CFO Fred James described the effect of the projected 25% drop in property tax revenues upon the District's current budget and provided charts showing the effect of the drop on property tax revenue in future years. He noted that the projected drop in assessed valuation is the most significant drop ever for property tax collections in Clark County. He reminded those present that even if assessed valuations increase beginning with the next fiscal year, the large drop this year means that property tax revenue increases will be capped by law at 4-5%. This will greatly affect future revenue amounts.

Mr. James briefly discussed CTX revenues, noting that CTX revenue has been falling for several years and is projected to remain flat for several more years.

Mr. James then explained his analysis which started with actual figures from FY 2008-2009 showing revenues, transfers to the Capital Projects Fund, expenditures and beginning and ending fund balance. The original FY 2009-2010 budget and the revised FY 2009-2010 budget showed the initial effects of the reduction in property tax revenue and the cuts approved by the Trustees to address the shortfall. The cuts of \$5.6 million to the FY 2009-2010 were achieved due to reductions in the collection budget, changing the distribution and reducing the number of copies of the District's newsletter, eliminating bags given to patrons at checkout, eliminating Staff Day and other activities and were achieved through staff suggestions and Executive Council staff going line by line through the budget. Transfers to the Capital Projects Fund were also reduced.

Mr. James then used the most recent property tax and CTX projections to show the effect of the shortfall upon the District's financial resources if the current level of operations is continued. James noted that the cost to maintain the current level of operations will continue to increase as cost of living increases and other contracted increases take effect in future years. The District makes debt payments on the Medium-Term bonds from General Fund revenues. Other transfers will be eliminated and the District will show a deficit fund balance of \$11,153,472 at the end of FY 2011-2012. The District is not allowed, by law, to have a deficit. James continued his projections out to FY 2024-2025 to show the effect of the large reduction in the component making up three quarters of the District revenues. It showed that, if current levels of operations are maintained, the District would potentially have a shortfall of \$206,624,281.

Ms. Goodrich said the information provided the best sense of projected revenues against current expenditures and how the District has no choice but to make changes.

Chair Davis-Hoggard then opened the floor for comments and questions by Committee members and other Trustees present.

Chair Davis-Hoggard had several concerns: she felt that cutting books was discounting the whole point of the library and she felt that eliminating bags with the District's name would be too small of a cut to matter. She was also concerned with the utility of the service center part of the Windmill project and whether there would be money available to move staff over to that location.

Ms. Goodrich responded to the issue of cutting library materials by saying that the District, compared to other libraries of its size and funding, had been at the highest level of spending with 20% of annual revenue allocated to library materials, for a number of years. However, she said that staff had studied the usage of materials purchased in the last 18 months and discovered that 10% of the materials purchased had not been checked out in the last six months. She felt some savings could be achieved and that an area that accounts for 20% of the District's expenditures must be examined for cuts.

Ms. Goodrich said that the decision to reduce the percentage of the budget allocated to library materials could be reviewed once the economy and revenues started to improve. She reiterated that the cuts must be made to the FY 2010-2011 budget in order to mitigate the impact of the drastic reduction in property tax revenues and effect on future increases.

Ms. Goodrich acknowledged that the cost of the bags provided to patrons was not high, but that staff time in managing the ordering, storage and distribution also needed to be considered. In response to a follow-up about selling the bags, Goodrich noted that shops around the country managed by Friends groups which sell items to raise money for the libraries generally broke even. Goodrich indicated that she believed that services and supplies needed to be examined and cut prior to staff being asked to make sacrifices.

Ms. Goodrich also noted that the Windmill project was well on its way and that staff is already reviewing options for the time the building has been completed.

Trustee Aguirre called in at this time.

Chair Davis-Hoggard and Trustee Aguirre asked about staff furloughs, and layoffs. Ms. Goodrich acknowledged that staff salaries and benefits account for 58% of the budget and must also be reviewed along with every other part of the District's budget. Jerilyn Gregory, Human Resources Director, is researching offering a separation package to staff. Ms. Gregory and Ms. Goodrich have had a "get-acquainted" meeting with new Teamsters 14 union representatives and found them interested in working together to find options. Goodrich indicated that new Teamsters Business Agent Phil Nelson was in attendance at the meeting. Both Goodrich and Counsel Welt indicated that executive

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sessions at the next several Board meetings would cover the discussions with the union as that was allowed under the Open Meeting Law.

Chair Davis-Hoggard commented that all staffing decisions need to be made from the top down. Ms. Goodrich agreed, noting Executive Staff members did not receive the cost of living increases that all other staff received last year.

Trustee Ence suggested staff use even more conservative revenue projections for later years as a turn-around may take two to three years longer than expected. He encouraged the pursuit of additional grants to fund individual areas that may otherwise be cut, acknowledging that available grant money is also lower due to the economy. He commented that personnel costs must be reviewed and that it is an action no one likes to take, but that Trustees may not have a choice.

Trustee Saunders recommended staff investigate creative solutions to increase revenues and referred to a recent newspaper article about the Henderson District Public Libraries. Ms. Goodrich noted that staff were investigating the particular solution mentioned and discussed the large up-front costs required for several creative ideas that had been put forward. She indicated staff research shows that this seems to be a common occurrence and said she wanted to be very careful recommending that type of expenditure at this time.

Ms. Goodrich said she planned to present a number of options recommended by staff at the next meeting. She discussed the types of suggestions she had been receiving and noted several that had already been implemented such as cuts to the Collection Development budget, reductions in paper and printing costs and elimination of some materials used in the branches. She assured Trustees that staff is looking at all scenarios.

Trustee Carrasco asked several questions about the breakdown of the Other Revenue category. Mr. James said this category covers income received from fines and fees (approximately \$1.2 million), copy services at 10 cents per copy (approximately \$60,000), service contracts with other library districts (approximately \$300,000) and theater revenues (approximately \$150,000). James noted the limited capacity to improve revenues in these areas. In response to her follow up, he confirmed that the District was locked into a particular figure for the transfers required to pay off the Windmill project bonds.

Chair Davis-Hoggard said she is looking forward to hearing different options at future meetings.

**Public Comment
(Item IV.)**

None.

**Adjournment
(Item V.)**

Committee Chair Davis-Hoggard adjourned the meeting at 12:19 p.m.

Respectfully submitted,

Verlia Davis-Hoggard, Committee Chair