

submittal to the Department of Taxation and preparation for the May 18, 2017 Budget Public Hearing. No action will be taken. (Item IV.)

The Tentative Budget is for discussion purposes only, and will be adjusted according to the final revenue estimates expected to be received in early May, as well as subsequent expenditures, for the District's Budget Public Hearing scheduled for May 18, 2017. Mr. James explained that, in addition to waiting for final revenue adjustments from the state, staff are still working on several areas such as negotiations, which are scheduled to begin in late April, as well as a staffing analysis. Once that information is in, there will be extensive information in the Public Hearing.

Mr. James said he has asked Assistant Finance Director Floresto Cabias to provide the details for the tentative figures that must be filed and then James will follow up to provide a five year forecast.

Mr. Cabias illustrated his remarks with a presentation attached as Exhibit A. He reiterated the point about the FYE 2018 proposed budget being one of the most tentative he has seen in his years with the District due to the issues raised above. Normally, staff are just waiting for final numbers from the state. He said that he would begin his discussion by briefly discussing the Special Revenue Funds and the Capital Projects Fund.

| Las Vegas-Clark County Library District FYE 2018 | | | | |
|---|--------------------|-----------------------------------|---|-----------------------------------|
| | FYE 2017 Budget | Preliminary FYE 2018 Budget | Variance FYE 2018 vs. FYE 2017 | Percent Increase (Decrease) |
| General Fund | 61,211,621 | 65,279,887 | 4,068,266 | 6.65% |
| Special Revenue Funds: | | | | |
| Gift Fund | 3,500,000 | 500,000 | (3,000,000) | (85.71%) |
| Grant Fund | 1,800,000 | 1,800,000 | - | 0.00% |
| Capital Projects Fund | 14,987,000 | 26,270,426 | 11,283,426 | 75.29% |
| Debt Service Fund | 7,688,750 | 7,669,250 | (19,500) | (0.25%) |
| Total | 89,187,371 | 101,519,563 | 12,332,192 | 13.83% |

Special Revenue Funds

Activity in the Gift, Expendable Trust and Grant Funds are accounted for in Special Revenue Funds. The Gift and Expendable Trust Funds account for donations to the District and expenditures are estimated to be \$500,000 in FYE 2018. The Grant Fund of \$1,800,000 accounts for revenues and expenditures for monies received from state and federal grants and Mr. Cabias anticipates no change from previous years. All grants are budgeted as funding is approved by the State.

Mr. Cabias noted the \$3 million difference between last year's amount and the current proposed budget is accounted for with the proceeds of the Widmeyer Trust Fund bequest. SB 313, a bill currently moving forward in the Nevada Legislature, if approved, will allow the money to be transferred to the Foundation which would occur in FYE 2018. At this time, the money has been transferred to the Capital Projects Fund.

Capital Projects Fund

A \$5.2 million transfer is proposed from the General Fund to be appropriated to the different programs within the Capital Projects Fund. The transfer is designated for vehicle replacements, major building repairs and maintenance, technology replacements and upgrades, library services platform replacements, library materials, furniture replacement, and construction projects, of which the major ones are the building of the Mesquite and East Las Vegas libraries. Mr. Cabias noted that there is a difference of \$11 million from the previous fiscal year. This amount incorporates the Widmeyer Trust money, in the event the District does not receive the New Markets Tax Credit money to construct the East Las Vegas. Cabias added that he fully expects this to go forward, but the District needs to be prepared for the possibility.

Mr. Cabias then talked about the District projected revenues and expenditures for FYE 2018.

FYE 2018 General Fund

The General Fund represents the basic complement of services provided to the patrons of the Las Vegas-Clark County Library District.

Revenues

Total revenues for FYE 2018 are projected at \$63.4 million. As compared to the FYE 2017 Budget, property tax revenue (PTX) for FYE 2018 is 4.1% (\$1.6 million) higher than last fiscal year. According to Mr. Cabias, this is due to the secondary and tertiary property tax cap which held down PTX revenues last year. The District only received a \$300,000 increase in FYI 2017 from the previous year. The CPI calculation in FYE 2017 was 0.1%, whereas this year it will be 1.3%

Consolidated Sales Tax (CTX) revenue is estimated to increase by 4.0% (\$800,000), as compared to a 4.9% increase for FYE 2017 (\$1,000,000). Mr. Cabias noted that the District used to project a 5% increase every year, but in the last several years, due to the economy, the District's increase in CTX revenues has been decreasing. He expects this to start trending upward with the new hockey team and football team coming to town.

Property tax (63%) and Consolidated Sales Tax (34%) revenues account for 97% of all General Fund revenues. The remaining 3% of the General Fund's revenues are generated from library fines, programming and rental charges, revenue from contract libraries and investment income.

The District's operating tax rate will remain at 9.42 cents per \$100 of assessed valuation. This rate includes the District's Supplemental City-County Relief Tax (SCCRT) Loss Tax rate (NRS 354.59813) of .54 cents in the District's base operating rate.

Expenditures

The proposed preliminary General Fund budget amounts to \$65.3 million, a \$4.1 million increase as compared to FYE 2017. He

emphasized that this was tentative due to the fact that the proposed salary and benefits increase of \$2.3 million in the FYE 2018 Tentative Budget was a placeholder and could change.

The FYE 2018 Tentative Budget proposes \$9.6 million in library materials expenditures, an increase of 6.4% over current levels. The proposed appropriation amounts to 15% of the total General Fund budget. The District has maintained this percentage amount since the recession, previously it was 20%.

Mr. Cabias explained that proposed \$1.2 million of increase in FYE 2018 for the Supplies and Services budget is slightly higher than normal. He noted that this area is always expected to run higher due to normal contract escalations. The increase is due to legal expenses the District expects to incur as well as \$500,000 in other contract expenditures such as Security costs.

A \$5.2 million transfer is proposed in the FYE 2018 Tentative Budget from the General Fund to the Capital Projects Fund.

The General Fund's ending fund balance is projected at \$6.5 million and amounts to 10% of the total budget, which matches the minimum management requirement of 10%.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general obligation bonds. Bonds are payable from property taxes.

The District obtained additional funding through medium-term financing for the design and construction of the Windmill Library (aka Southwest Library) and Service Center in March 2009. The financing provided a total of \$51.6 million. The medium-term bonds are payable from all legally available funds of the District. In addition, the District must maintain a reserve on hand, equal to the annual debt service requirements. Principal and interest is \$7.7 million for FYE 2018.

After Mr. Cabias had completed the presentation on the Tentative Budget for FYE 2018. Mr. James then discussed his five year projections. He will have a more complete projection once the budget numbers are finalized. James explained that two major factors will affect the District's salaries and benefits expenditure. The first unknown factor is that the Executive Council will be reviewing a staffing level increase of 19 positions for FYE 2018. Most of the positions are for the increased staffing needed for the Mesquite Library as well as several additional positions in Branding and Marketing. The EC will review the necessity of each position and make a final decision about increased staffing prior to the Public Hearing. The second unknown factor is that James does not know what the final agreement will be in negotiations with Teamsters 14. Talks start at the end of April and will go into May.

Mr. James said that once the two factors have been settled and he receives information about the final revenue projections from the state, he and Mr. Cabias will be able to update the forecast and finalize the numbers for the Public Hearing in May. James said that, as far as the

information presented so far, this will be submitted, as required, to the State as the District's Tentative Budget for FYE 2018. He reiterated that staff have the ability to make changes prior to the Public Hearing and Final Budget being presented. At this time, James has no concerns about the budget and the final numbers.

Finally, for the benefit of Trustees Benavidez and Foyt, Mr. James explained that the District received \$3.1 million from the Widmeyer Trust several years ago. This money has been transferred to the Capital Projects Fund for use in paying for the East Las Vegas Library only if the District does not receive the New Markets Tax Credits money. If the District does receive the NMTC, the Widmeyer Trust money will be transferred to the District's Foundation as an endowment, where they can use the interest to fund the Foundation's programs. Staff believes this seed money can be used to draw more money into the endowment.

Trustee Ortiz wanted to go on record thanking the previous and current Board for voting for the complex NMTC mechanism. Two libraries are being built without borrowing money and that is important, noting that the Windmill Library and Service Center was built with the proceeds of a bond, which the District is still paying.

Trustee Ortiz asked a question about additional money for technology expenses, when he believed that Trustees had recently approved a large technology expenditure. Mr. James and Information Technology Director Al Prendergast explained that some of it was for the equipment in the Mesquite Library, but that more specifics would be provided at the Public Hearing.

Trustee Ortiz then asked about resources for the ending fund balance shown in the projection and asked if he would use the same amount for the next projection. Mr. James explained that the District tries to maintain an ending fund balance of about 10-15%, currently around \$6.5 million. As the District's revenues increase, the ending fund balance will remain at 10%. So, if the District's revenues are \$75 million, then the District's ending fund balance will be about \$7.5 million. James believes the larger ending fund balance amount will be needed to cover expenses at the beginning of the fiscal year. He explained that the District has the ability to go up to 25%, but does not need to do that. If something happened to the economy today, the District is in a position to make reductions in several areas without laying people off and James wants to maintain that level. Ortiz asked James to make that point again at the Public Hearing.

Trustee Ortiz next asked if the District will be able to recapture some items initially planned for in the Vision 2020 plan that the District was not able to move forward on due to lack of money. Dr. Heezen explained that the Vision 2020 Plan will guide all expenditures, everything from the staff that is hired, to the services that the District provides, to the materials purchased for patrons, to the capital expenses the District embarks on.

Trustee Ortiz asked about the status of legislation on changing the mechanism for assessing PTX. Mr. James explained that, at the

moment, the bills are in committee. Jeremy Aguerro of Applied Analysis, who is working on this, will be having a meeting on this process at the end of April with both James and Mr. Cabias in attendance. James said that if the mechanism for calculating the annual increase is not changed, the District will probably have one more year where the ten year average will be on the low end.

Finally, Trustee Ortiz wanted to know if the reworking of the budget that will occur after this meeting will include the increase in the cost of security services for all libraries. Dr. Heezen clarified that all urban branches will be staffed by armed guards and that will be included. In response to a further question from Ortiz, James said that cost will be included in the General Services budget.

Trustee Wadley-Munier thought that all urban branches already had armed guards and thought staff were expanding that to all District branches. Dr. Heezen explained that, while several of the urban branches did already have armed guards, the District would now be expanding them to all urban branches. Staff will monitor the outlying branches to determine a need for further security staff and will add them if necessary.

In response to a question from Trustee Moulton regarding the decreasing increases in CTX revenues, Mr. James clarified his remark about those revenues increasing, but at a decreased rate than in previous years. Moulton then asked about the effect on District CTX revenues from the tax to build the new football stadium. James explained that the tax to build the new stadium is a room tax and will not affect the District's CTX revenues.

Mr. James then updated Trustees on the process for obtaining approximately \$3 million in New Markets Tax Credits (NMTC). Staff have had a number of meetings to understand the complex process and working with the specialists to assist with the legal requirements. District staff are hoping to close in July on the NMTC in July. The bill to allow the District to set up the required entities to qualify for the NMTC money, SB 313, has been voted out of the Senate Committee with only one vote against it and now goes to the Senate floor. After the Senate, the bill goes to the Assembly.

Chair Ence appreciated the way Mr. James and his staff work through the District's finances, especially in their future projections. James thanked his staff for their work.

The item is for discussion only as the basis for preparing the Tentative Budget for submittal to the State Department of Taxation.

Dr. Heezen took this opportunity to thank staff who worked on the meeting; from West Las Vegas, Brenda Bouie and Jani Jeppe, from Technical and Production Services, Brian Zawistowski and Mike Singleton, and Executive Assistant Allison Boyer.

Dr. Heezen then advised Trustees he had recently received a letter thanking Clark County Library staff member Shelly Weiner for her assistance. The writer had been setting up a non-profit with the assistance of Ms. Weiner and the Southern Nevada Non Profit

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Information Center and had secured a \$1 million grant and was grateful for the assistance. Heezen will forward a copy of the letter to Trustees.

Dr. Heezen announced that, on April 5, the District had opened a passport center at the Windmill Library, and become the first library in the state to offer this service. While only offered on Wednesdays, the District is now able to process new passport applications. In addition, One-Stop Centers are now open at the Laughlin Library. Shortly, there will be one at the Mesquite Library and plans are moving forward to install these important sites at the District's urban libraries, starting with the West Las Vegas branch in FYE 2018.

**Public Comment
(Item XI.)**

None.

**Adjournment
(Item XIII.)**

Chair Ence thanked the Trustees, saying it was a pleasure to work with people who are concerned about the District's plan and staff members. He stated it was a pleasure to serve with them.

Chair Ence adjourned the meeting at 6:35 p.m.

Respectfully submitted,

Randy Ence, Chair

FY 2017-18 Tentative Budget Overview

Finance and Audit Committee

April 6, 2017

Presented by
Fred James, Deputy Director/CFO
Floresto Cabias, Assistant Finance Director

**Las Vegas-Clark County Library District
FYE 2018**

| | FYE 2017 Budget | Preliminary FYE 2018 Budget | Variance FYE 2018 vs. FYE 2017 | Percent Increase (Decrease) |
|-------------------------------|----------------------------|--|---|--|
| General Fund | 61,211,621 | 65,279,887 | 4,068,266 | 6.65% |
| Special Revenue Funds: | | | | |
| Gift Fund | 3,500,000 | 500,000 | (3,000,000) | (85.71%) |
| Grant Fund | 1,800,000 | 1,800,000 | - | 0.00% |
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| Total | 89,187,371 | 101,519,563 | 12,332,192 | 13.83% |

Revenues – General Fund

Revenue = \$63.4M

- **Taxes = 97% of General Fund revenue**
 - **Property Tax – 4.3%↑, \$1.6M**
 - **Consolidated Sales Tax – 4.0%↑, \$825K**
- **Other Revenue:**
 - **Fines**
 - **Charges for Services (contract libraries)**
 - **Rentals**
 - **Miscellaneous**

General Fund Expenditures = \$65.3M

- **Salaries and Benefits = \$2.3M↑**
- **Supplies and Services = \$1.2M↑**
- **Library Media Materials = \$580K↑**

Financial Forecast

Las Vegas-Clark County Library District Budget Projections FY 2018-19 Through FY 2022-23

| General Fund Revenue and Expenditures Analysis | | | | 5 Years | | | | |
|--|--------------------|------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | 1.1860% | 4.0600% | 4.0000% | 4.2500% | 4.5000% | 4.5000% | 4.6000% |
| | Actual 2015-16 | Curr Budget 2016-17 | Preliminary 2017-18 | Projected 2018-19 | Projected 2019-20 | Projected 2020-21 | Projected 2021-22 | Projected 2022-23 |
| Revenue | 63,279,444 | 60,929,000 | 63,405,000 | 65,941,200 | 68,743,701 | 71,837,168 | 75,069,840 | 78,523,053 |
| Expenditures | 52,669,250 | 61,211,621 | 65,279,887 | 67,473,396 | 69,257,083 | 71,172,048 | 73,141,206 | 75,166,119 |
| Excess (Deficiency) of Revenues over Expenditures | 10,610,194 | (282,621) | (1,874,887) | (1,532,196) | (513,382) | 665,120 | 1,928,634 | 3,356,934 |
| Less transfers out | 18,100,000 | | 5,200,000 | | | | | |
| Excess (Deficiency) of Revenues over Expenditures & Transfers Out | (7,489,806) | (282,621) | (7,074,887) | (1,532,196) | (513,382) | 665,120 | 1,928,634 | 3,356,934 |
| Fund balance, beginning of year | 17,156,400 | 9,666,594 | 13,583,973 | 6,509,086 | 4,976,890 | 4,463,508 | 5,128,628 | 7,057,262 |
| Fund balance, end of year | 9,666,594 | 9,383,973 | 6,509,086 | 4,976,890 | 4,463,508 | 5,128,628 | 7,057,262 | 10,414,196 |
| Projected Savings | | 4,200,000 | | | | | | |
| Fund balance, end of year Adjusted | 9,666,594 | 13,583,973 | 6,509,086 | 4,976,890 | 4,463,508 | 5,128,628 | 7,057,262 | 10,414,196 |
| | 18.35% | 22.19% | 9.97% | 7.38% | 6.44% | 7.21% | 9.65% | 13.85% |

Questions?