

**NORTH LAS VEGAS LIBRARY DISTRICT
BOARD OF TRUSTEES
SPECIAL MEETING MINUTES**

May 3, 2011

Website - <http://www.cityofnorthlasvegas.com>

CALL TO ORDER

5:00 P.M., Council Chambers, 2200 Civic Center Drive, North Las Vegas, Nevada

ROLL CALL

PRESENT

Chairwoman Cathy Lynch
Trustee Monica Beasley
Trustee Vernie Borgersen
Trustee Delbert Leavitt
Trustee Nona Whipple

EXCUSED

Vice Chairwoman Rita Langford
Trustee Aaron Hegji

STAFF PRESENT

Acting City Clerk Jennifer Snyder
Library Director Kathy Pennell
Finance Budget Manager Tom Baker
Deputy City Clerk Marie Purcell

WELCOME

Chairwoman Cathy Lynch

VERIFICATION

Jennifer Snyder
Acting City Clerk

BUSINESS

1. APPROVAL OF THE NORTH LAS VEGAS LIBRARY DISTRICT BOARD OF TRUSTEES REGULAR MEETING MINUTES OF JANUARY 25, 2011.

ACTION: APPROVED

MOTION: Chairwoman Lynch

SECOND: Trustee Whipple

AYES: Chairwoman Lynch, Trustees Beasley, Borgersen, Leavitt and Whipple

NAYS: None

ABSENT: Vice Chairwoman Langford and Trustee Hegji

ABSTAIN: None

2. APPROVAL TO ADOPT THE NORTH LAS VEGAS LIBRARY DISTRICT TENTATIVE BUDGET FOR FISCAL YEAR 2011-2012.

Finance Budget Manager Tom Baker explained one of the budget goals was to align the expenditures with recurring revenues. He said there were Budget Reduction Plans but the City faced a budget gap for FY2011-2012. Reasons for the budget gap included:

Budget Reduction Program II Shortfalls

- Approximately \$3.2 million non-recurring revenues used
- Identified revenues, Court Fines/Fees and Fire Fees did not materialize
- Overtime savings would not materialize
- Holiday payouts higher than anticipated

Attrition Savings Not Being Realized

- Positions added back
- Vacancies used in the Budget Reduction Program

Major Revenue Declines

- Prisoner Board - \$7.2 million in October Federal reductions, additional \$3.6 million since then due to Immigration and Customs Enforcement and other local reductions
- Court Fines and Fees down about \$1.4 million in 2011
- Interest Earnings down about \$2 million in 2011

Budget Manager Baker explained a new facility opened in Pahrump and the federal government moved a number of inmates from the North Las Vegas Detention Center to the new facility and the expanded facility in the City of Henderson. Clark County reduced the number of inmates brought to the North Las Vegas Detention Center which was a loss of \$10 million in City revenues.

Budget Manager Baker explained the fees were not less than the previous year, but the Municipal Court committed to higher fees as part of their Budget Reduction Plan which did not materialize.

Budget Manager Baker explained in FY2008-2009, the City's expenditures in the General Fund were \$25 million higher than revenues. The City utilized \$18 million of one-time transfers in non-recurring funds and \$6.7 million from the ending fund balance to close the gap. In FY2009-2010, the same situation occurred. In FY2010-2011, the expenditures were not aligned with revenues and the funds were needed from the ending fund balance since other funds were exhausted.

The estimated ending fund balance for FY2010-2011 was \$6.5 million or 4.4%. Budget Manager Baker said the fund balance for FY2008-2009 was \$46 million; and the fund balance for FY2010-2011 would be \$6.5 million. He said the City was perilously close to the State Watch Program which stated in the Nevada Revised Statutes, if a City's fund balance was below 4.1%, the Department of Taxation entered, made the City's decisions and did what was needed for a balanced budget.

Budget Manager Baker said the City Council directed Staff to keep the ending fund balance above 6%. In April, the Acting City Manager worked with Department Directors to enact immediate cost saving actions for the remaining three months of the fiscal year. Some of the actions taken included:

- Limit supply and service expenditures the rest of the year
- Cancel/reduce remaining encumbrances
- Reduce vehicle usage
- Reduce fuel usage
- Delay any capital acquisitions until next year
- Look for utilities savings opportunities

As a result of the current financial situation, another Budget Reduction Plan was needed to address the \$20 million budget gap. The State of Nevada required the City Council to submit an approved plan with the budget by June 1, 2011.

Budget Manager Baker said Consolidated Tax leveled off with moderate growth for the future. There were two issues regarding the Consolidated Tax formula; the General Fund was shortchanged by the formula; and the Library District did not benefit from Consolidated Tax funding. The monthly Consolidated Tax reports showed a 5% increase from last year. There were increases during the months of August and December, 2010 which were attributed to large one-time purchases from interstate construction near the City of Reno which increased the sales taxes but would not recur next year.

Budget Manager Baker spoke about property taxes and said the assessed valuation decreased by 6%. In 2008, the City's assessed valuation was \$9.2 billion and in 2011 was \$4.2 billion. Abatement numbers showed a slight increase and was a portion of a citizen's property tax which did not need to be paid if greater than 3%. The figures indicated properties did not decline below the 2005 level, or properties that came on in the last several years and grew by more than 3%.

The Investment Portfolio showed the City had \$550 million in the bank in 2008 which decreased to \$160 million in 2011. The investments were from bond programs. In 2008, the City had a Wastewater Reclamation Bond of \$140 million; City Hall bond of \$105 million; and other bonds. Once the bonds were sold, the City received the proceeds, project construction began and the investments needed to be cashed in. Budget Manager Baker reviewed the Weighted Average Rate of Return on Investments and explained in 2008 the rate was 4% and in June, 2011 decreased to 1.4%.

Budget Manager Baker reviewed the proposed FY2012 General Fund Budget and showed a revenue pie chart in an amount of \$130 million for FY2011-2012. There were three large portions of the General Fund which accounted for 75% of the City's revenue. He explained if any of the three major revenue sources declined, there would be a great impact to the City. Licenses, Permits and Fees comprised 25% of the City's budget; Consolidated Tax Revenue, 25%; and PILT/Transfers In, 25%. He explained there was a Bill approved by the Assembly which would be forwarded to the Senate and could be devastating to the City. The Bill stated that an Enterprise Fund could not be transferred to the General Fund. Most entities created their Enterprise Funds as a payment in lieu of taxes and was treated as a franchise revenue or recovery of indirect costs. The City treated the Enterprise Fund as a transfer because there was no specific formula. If the Bill was approved and the City lost the ability for transfers, \$32 million would be lost in the General Fund. City Officials attempted to have language placed in the Bill which would allow the City to reduce the transfers gradually. Budget Manager Baker explained PILT was payment in lieu of taxes from the Utility Fund. Utility companies would reimburse entities for which they operated in, for lost tax revenue.

Budget Manager Baker reviewed the General Fund Expenditures of \$129 million and said the largest portion of the budget was Public Safety. He explained the revenues were projected at \$130 million and the expenditures at \$129 million which would reflect alignment of the budget. The portions added up to a total of \$150 million. The amount of \$129 million was based on the assumption the City was working on a Budget Reduction Plan and would reduce the expenditures from \$150 million to \$130 million which was consistent with revenues.

Budget Manager Baker explained in years 2005 and 2008 the revenues exceeded the expenditures. During those years, the fund balance was increased and the City established a Municipal Facilities Fund of \$25 million to be utilized for buildings. As the revenues declined, actions were taken on expenditures. When the financial situation continued to decline, more drastic actions were needed. The Budget Reduction Plan II was implemented to align expenditures with revenues. With the loss of Prisoner Board revenue and other resources, revenues decreased more than expected and actions taken were not enough which caused a budget gap. To align the budget for FY2011-2012 and address the \$20 million gap, another Budget Reduction Plan would be needed. After FY2012, there would be another gap due to contractual obligations which needed to be addressed.

Budget Manager Baker reviewed the Operating Funds Projected Deficits and explained in FY2010-2011, \$2.3 million in reductions would be needed to reach a 6% fund balance as directed by the City Council. For FY2011-2012, the fund balance deficit was \$12.3 million. An additional \$20 million was needed to bring the fund balance to 6%. There was a projected fund balance of \$100,000 for FY2012-2013.

Budget Manager Baker reviewed the Library District projections. He explained at the end of FY2011-2012 the fund balance would be \$1.1 million. An issue with the library funds was the restructuring of the Aliante Library debt. The interest, or a portion of the interest was paid the first two years and in the third year, the full payment with principal began. The Aliante Library debt service in FY2011-2012 was \$137,800 and increased to \$472,751 in FY2012-2013. Moving forward, the annual debt service was approximately \$1 million per year and would have an impact on the Library Fund. In FY2012-2013 the deficit was minimal and significantly increased in FY2013-2014. Budget Manager Baker explained all City departments were asked to reduce budgets and if further union concessions were obtained, the Library District would benefit. He said the Library District had the ability to raise property taxes. A property tax increase of 1.2 cents would generate \$500,000 in annual revenue for the library. For a homeowner with a house valued at \$150,000, the tax increase would be \$6 per year. Budget Manager Baker said if the Department of Taxation entered the City to assume the finances, property taxes would be raised to the legal tax limit allowed.

Budget Manager Baker recommended approval of the Library District Budget which would be forwarded and presented to the City Council on May 17, 2011. Reductions from the Budget Reduction Plan and other concessions would be reflected in the Library District budget. Approved changes made to the Library District budget would be presented at the July 26, 2011 Library District Board of Trustees meeting.

Trustee Borgersen stated 50% of the General Fund expenditures were Public Safety. She said the Teamsters Union had made concessions and take additional furlough days. She questioned the concessions from the Public Safety unions. Budget Manager Baker explained Public Safety meant departmental expenses and not bargaining units. Public Safety included the Police Department, Fire Department, Code Enforcement, Flood Control and others. It included police officers and firefighters but also included the Teamsters Union support staff in those departments. He said the portion of the budget for Public Safety was not an unrealistic portion. Budget Manager Baker said the Police Officers Association eliminated most of their cost of living adjustments for next year. It was difficult to implement furlough days in the Police Department. He explained approval of the Firefighters Tentative Agreement was scheduled for the May 4, 2011 City Council meeting and the agreement was factored into the FY2011-2012 budget. The City Council was advised that approval of the Tentative Agreement would not reduce the gap. If the agreement was approved, the budget remained the same. If the agreement was not approved, cost of living adjustments and merit increases would be given to the firefighters and 33 firefighters would be laid off. The budget gap would not be affected. Approval of the Tentative Agreement would require additional concessions from the Firefighters Union. Budget Manager Baker explained part of the concession agreement with the Teamsters Union stated if the assessed valuation declines were greater than 5%, additional discussions would be needed. The assessed valuation declined over 6% and invoked a trigger that required the union to come back to the City for discussions. He explained the Teamsters Union gave up cost of living adjustment, merit increases, were required to take 12 furlough days, which was the equivalent to a 6% pay cut for FY2011-2012.

Library Director Kathy Pennell said no requests were made for further reductions in the Library because the budget was stable for FY2010-2011. Moving forward, it would be difficult to reduce one or two additional positions without closing a library branch. She explained there were days the library had three employees. With furlough days and vacations, losing additional employees would impact services. She explained future reductions could result in the closure of one or two libraries. Director Pennell hoped the City Council would have the desire to raise property taxes as the economy improved or the City would get relief with the Consolidated Tax Study.

ACTION: APPROVED THE NORTH LAS VEGAS LIBRARY DISTRICT TENTATIVE BUDGET FOR FY2011-2012 IN THE AMOUNT OF \$3,589,360

MOTION: Chairman Lynch
SECOND: Trustee Borgersen
AYES: Chairwoman Lynch, Trustees Beasley, Borgersen, Leavitt and Whipple
NAYS: None
ABSENT: Vice Chairwoman Langford and Trustee Hegji
ABSTAIN: None

3. DESIGNATION OF MINIMUM PUBLIC LIBRARY STANDARDS OPTION FOR MAINTENANCE OF COLLECTIONS FOR FISCAL YEAR 2011-2012.

Library Director Kathy Pennell explained the State of Nevada set minimum public library standards. The item dealt with the amount of money for maintenance of collections. With the economic downturn, many libraries in the State could not meet prior thresholds which required the libraries to spend 10% of the operating budget for collections. As reductions were made, collections were reduced. For FY2011-2012, the subtotal of expenses was \$2.9 million which meant the library would need to spend \$290,000 on collections. The State provided options which included:

- ◆ Option I - Meet or exceed at 90% - the five year average spent on collections

Director Pennell said the construction of Alexander Library had high expenditures during the year and Option I could not be met.

- ◆ Option III - Meet or exceed at 10% - adjusted total operating budget divided by collection budget

Director Pennell felt Option III could not be met.

- ◆ Option II - Meet or exceed at 30% - amount spent on collections divided by total services and supplies budget

Director Pennell said services and supplies along with book collections totaled approximately \$700,000 for FY2010-2011 and 30% was \$210,000 which could be achieved. The State of Nevada requested a selection be made each year when the budget was approved. Director Pennell recommended the Library District Board of Trustees approve Option II.

ACTION: APPROVED OPTION II

MOTION: Trustee Whipple
SECOND: Chairwoman Lynch
AYES: Chairwoman Lynch, Trustees Beasley, Borgersen, Leavitt and Whipple
NAYS: None
ABSENT: Vice Chairwoman Langford and Trustee Hegji
ABSTAIN: None

PUBLIC FORUM

There was no public participation.

ADJOURNMENT

ACTION: THE MEETING ADJOURNED AT 5:38 P.M.
MOTION: Chairwoman Lynch
SECOND: Trustee Whipple
AYES: Chairwoman Lynch, Trustees Beasley, Borgersen, Leavitt and Whipple
NAYS: None
ABSENT: Vice Chairwoman Langford and Trustee Hegji
ABSTAIN: None

APPROVED: September 27, 2011

/s/ Cathy Lynch
Cathy Lynch, Chairwoman

ATTEST:

/s/ Karen L. Storms
Karen L. Storms, CMC
City Clerk