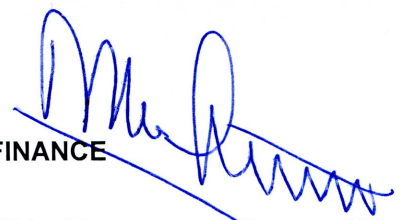


Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
July 12, 2019, 10:00 a.m.



The meeting was held at the Grant Sawyer Office Building, 555 East Washington Ave, Room 4401, Las Vegas, Nevada with videoconference to Nevada State Legislative Building, 401 South Carson Street, Room 2134, Carson City, Nevada. This meeting was also part of a teleconference.

COMMITTEE MEMBERS PRESENT:

Marvin Leavitt, Chairman
Marty Johnson
Jeff Cronk
Tom Ciesynski
Gina Rackley
Paul Johnson
Christine Vuletich

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Jason Goudie	Clark County School District
Leonardo Benavides	Clark County School District
Edith Duarte	Self

COUNSEL TO COMMITTEE:

Peter Keegan

**DEPT OF TAXATION STAFF
PRESENT:**

Melanie Young
Shellie Hughes
Jeff Mitchell
Kelly Langley
Christina Griffith
Hector Sepulveda
Chali Spurlock

ITEM 1. ROLL CALL AND OPENING REMARKS

Member Mary Walker, Jim McIntosh, Jessica Colvin and Beth Kohn-Cole were absent. All other members were present.

ITEM 2. PUBLIC COMMENT

Jeffrey Mitchell, with the Department of Taxation (Department) noted that written comment was submitted prior to the meeting and was included in the meeting material. No other public comment was made.

ITEM 3. FINANCIAL CONDITION REPORTS BY THE DEPARTMENT; CONSIDERATION AND POSSIBLE ADOPTION OF RECOMMENDATIONS AND ORDERS

(a) For Possible Action: Report by Clark County School District and the Department on the following matters:

- 1. Discussion of the FY19/20 Amended Final Budget and projected ending fund balance**
- 2. Report on the impact of funding from the Legislature**
- 3. Discussion regarding the School District's projected cash flow & financial condition**

Chairman Leavitt expressed his disappointment over Clark County School District (CCSD) for responding to the Department's request for an amended budget with a letter from counsel. He felt that even though they may not have a legal obligation to amend it, they should have done so to reflect changes from the legislature as they are on fiscal watch. He recognizes there are unknowns, like enrollment count, but those can still be taken care of in a budgetary manner. He expressed that he was not happy about this whole situation as it relates to the school district.

Chairman Leavitt added that at the next meeting, he wants a regulation prepared for local governments on fiscal watch indicating conditions and reports necessary, detailing obligations so the Committee can fulfill its responsibilities. Resistance from the local governments makes the job more difficult.

Mr. Mitchell explained that the Department received CCSD's budget timely and it is currently in the review process. He added that a variety of bills this legislative session affected CCSD and were not reflected in the budget. With the district being on fiscal watch, the Department asked CCSD to provide an amended budget to create a clearer picture. The Department believes it is necessary due to their fiscal watch status, and believes the Committee should be abreast of what is occurring.

Mr. Jason Goudie, with CCSD explained that they understand the need to comply but have to consider the operational impacts of these requests. He explained the district will comply with amending the budget by the statute deadline. His concerns are with the operational standpoint of filing another budget during the year as it is a detailed and time consuming process. It has to be reviewed and receive Board Approval. He believes their team should focus on operations and monitoring costs, it is not practical at this time as it is time consuming and there are many unknowns that could have significant impacts. They understand the Committee's concerns and are willing to provide information for them. He explained what he has done since starting with the district, noting they are trending in the right direction. Their 2024 strategic plan has a goal to reach the statutory 4% at the end of the 8 years.

Mr. Goudie explained that the district needed approximately \$166 million in 2020 to cover raises, roll ups, healthcare, etc. They did not receive that, and will have a \$12 million deficit for 2020, \$35 million deficit over the biennium of 2020 and 2021. Eliminating dean positions allows them a short term surplus for the 2021 deficit, along with other cuts to be identified shortly. He expects more cuts in 2020. Regarding cash flow, they had turnover and were behind on reporting. May and June should be available by the end of the day, April showed continued improvement and they are monitoring cash flow regularly. The district is looking at using an external investment advisor as well as cash management and monitoring assistance due to the turnover in their investment team.

Chairman Leavitt asked the amount of money received from the legislature. Mr. Goudie replied that it was about \$115 million in basic support, AB309 gave them more freedom on how to spend grant amounts, but it was not a true \$13 million, it is somewhere between 0 and 13, they are working on how much it really is, SB551 provided about \$26 million, totaling about \$154 million increase to revenue. They are treating AB309 and SB551 as grants, so they will not be general fund revenues.

Chairman Leavitt stated that they are not operating on a budget showing \$154 million of revenue that they expect to receive nor reflect an equal amount of expenditures. Mr. Goudie noted currently they are concentrating on making changes to their operational budgets. Chairman Leavitt noted he was talking about the official budget. Mr. Goudie clarified that once the operational budgets are complete, it will be included in their amended budget which will be filed according to statute. Chairman Leavitt asked again if they were operating on a budget that does not reflect the correct revenue or expenditures, Mr. Goudie confirmed, the funds are in and out, and do not affect the operations of the district.

Chairman Leavitt stressed that they are understating revenue and expenditures by \$154 million, and half the year will pass before it is corrected. Mr. Goudie confirmed that on a document perspective yes, but not on an operational perspective.

Chairman Leavitt understands that they figure they will not over expend the first half of the year so they will be alright, but for anyone looking at the budget, they would have an idea that they were \$154 million different than they actually are, and it is not alright in his mind.

Member Ciesynski noted starting July 1, their quarterly reports will reflect budget vs actual, but the budget will be understated for revenue and expenditures. He also noted most districts file an amended budget following the legislature, even if just basic adjustments. At a minimum, they recognize the money through a contingency. It's typical that districts file an amended budget 30 days after the legislature.

Member Paul Johnson noted that they recognize budgets are not real time, but each district has a way to categorize changes from the time they file their budget. He asked what process CCSD uses to categorize these types of changes to make sure these things are incorporated into the spending plan.

Mr. Goudie stated their strategic budgets will be updated. He clarified the mass majority of this revenue is for pay increases and step pay, it is not additional expenditures that they have to track. There are no operational challenges with it. It is \$1.7 billion of their \$2.4 billion budget. That will be done after they get their enrollment numbers. Schools will adjust their budgets, and the district will use that to finalize the district budget. He stressed that the district has not agreed to any of these increases with any

negotiating groups so there is no difference between actual and budgeted at this point. If they load a new budget now, they will create a gap showing they have more money to spend than they actually do until they reach those agreements with the labor groups and retroactively apply those costs.

Mr. Ciesynski explained his point was that it could be dropped into a contingency line knowing they are waiting for the agreements. He doesn't think an amended budget is as challenging as one would think. Mr. Goudie disagreed, reiterating that it takes 2-3 weeks of staff time. He believes 2-3 weeks is a critical amount of time this time of year. He noted that each year he has come back with slightly better results than anticipated. He asked if they dropped it into a random contingency account, what value would it bring to anyone looking at the budget.

Mr. Ciesynski replied that their revenues would be more reflective as to where they are. Understanding that they are not sure where they are with expenditures, at least it would be identified. Everything is just discussion, and nothing is memorialized at this time.

Chairman Leavitt asked as to the ending fund balance (EFB), if translated into days of operation what that would reflect. Mr. Goudie calculated \$49 million for 2020, which is 49 days. Increase from less than 1 day. He explained their plan to bring it up .25% each year, noting they have a much better relationship with their bargaining groups, which is beneficial to them. Chairman Leavitt noted Mr. Goudie's math was off. Mr. Goudie recalculated, correcting the current days of operation to about a week. Chairman Leavitt recognized it is an improvement, but not much.

Chairman Leavitt noted if the district believes it will be off fiscal watch in the near future that would be incorrect. He believes they will be on fiscal watch until the Committee sees improvement. Particularly when they resist what the Committee thinks they should do. He went on to state when regulations are adopted he thinks they will put more restrictions on them.

Member Vuletich asked about the future cuts Mr. Goudie mentioned. He responded that they are trying to identify multiple cuts that they can choose from during the biennium to reduce the deficit so that they do not have to wait until then to find them. They will discuss these with their board.

Member Vuletich also asked about their strategic plan getting to the required 4% in 8 years. She thinks it seems like a long time and asked for the rationale behind that. Mr. Goudie responded that the approach is about \$6 or \$7 million a year. Every year they make cuts, and every dollar in reserves is an additional cut. His overall approach is to approve relationships with bargaining groups to take the largest unknown component off the table. Previously, that has been the biggest issue, agreements they couldn't afford.

Member Vuletich asked if they are striving for multi-year contracts. Mr. Goudie replied they did with CCEA, covering them through 2021. He and the board believe they will try to reach those, but anything past the biennium will be a challenge. They do not have anything with any other groups at this time.

Mr. Ciesynski asked Mr. Goudie to explain SB543 and the protections for fund balance. Mr. Goudie noted some of the most significant changes are protections to funding dedicated to education. The new funding cannot be less than the previous year. They start on level ground. Another piece is that base funding will be identified for all students. The Commission being developed will define what that ends up being. He explained base funding and the weights that go with it. It will set up a model to help the state determine the needs to educate students rather than what the pool of money is available. Member Ciesynski noted that this is important moving forward.

Member Paul Johnson added the key component was 2 months of operations reserved. Although many districts are far from that figure and he does not anticipate that being reached. He explained the slow erosion of funding that has taken place, in his opinion, for the past two decades. He asked Mr. Goudie about the increase in the EFB from FY18 to FY19, a huge improvement that is now expected to go down. Mr. Goudie explained most of that is built up of restricted components and they cannot budget for them as a district, the schools get to utilize those. He does not want the Committee to be misled; they look at the unassigned EFB to make sure they have a conservative approach.

Member Johnson noted that in statute they may amend the budget within 30 days of the close of the legislature. He asked Mr. Goudie if it would be helpful to extend that, or if they simply won't do it.

Mr. Goudie replied that his concern is operational. He explained they have to update their strategic budgets and it's the middle of October before the budget team has the numbers back to create another budget. He sees an operational challenge.

Member Johnson, noted from a 3rd party view, they don't have all the information to draw conclusions or understand what they are planning. He knows Mr. Goudie does not make the decisions. There are positives; their fund balance has been increasing, the board agreeing to not touch the fund balance, the plan to grow the fund balance...all appreciated. Sounds like next budget is the one required Jan 1st.

Mr. Goudie agreed and said they need the numbers first, and can provide the numbers; they know where the money is going; but he needs agreements to confirm it is there. He can provide the numbers without putting his staff through the efforts to build another document.

Chairman Leavitt asked if he would know enrollment numbers by the next meeting. Mr. Goudie explained enrollment numbers come out the Friday after Labor Day. Then the strategic budgets start, numbers are loaded to schools, and sent to principals. Then they have a 2 week period to develop their budget, then it is sent to regional superintendents for approval, then finance, H.R., etc.

Chairman Leavitt asked if, in September, he would have an update, other than truing up. Mr. Goudie can't speak for courts regarding lawsuits but will update what he can. His biggest concern is SB551, the school districts have gotten the money, but the state has taken it back in the past. He is apprehensive about that money. They are hoping for something definitive from the state to guarantee it.

Mr. Mitchell commented that the Department was planning the next meeting to be on August 27, 2019, but if that does not work, it can be moved. Chairman Leavitt noted the end of August would be alright, he would not want to delay the meeting.

Chairman Leavitt let Mr. Goudie know that the Committee appreciates the work he has done since he started.

Mr. Mitchell noted if they could be informed as to what reports they can receive and the timeframe for those reports, it would be helpful to the Department.

Mr. Goudie thanked the Chairman and group. He believes they have made good strides. The board is now firm on protecting the EFB. He appreciates the Committees assistance and will be willing to present a summary to the Department to show whatever information is needed, a "projected amended budget". He is not opposed to giving the numbers, just concerned of the physical process. He would rather use their time and money the best that they can. Chairman Leavitt plans to have discussions with the Department to be sure that CCSD supplies the specific information needed. They will know what that will be by the next meeting.

Mr. Goudie noted he will be on vacation the next couple of weeks but will prepare whatever is requested as soon as he returns.

Mr. Ciesynski added that Mr. Goudie is a breath of fresh air to the district. He knows Mr. Goudie worked hard this legislative session to help move things forward and that the Committee appreciates his efforts.

ITEM 4. REVIEW AND APPROVAL OF MINUTES

(a) For Possible Action: CLGF Committee Meeting – April 23, 2019

Member Paul Johnson moved to approve the meeting minutes. Member Ciesynski seconded the motion. No members opposed.

ITEM 5. FOR POSSIBLE ACTION: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING

Member Marty Johnson would like to discuss a threshold for those districts with a 3 year declining balance, maybe more appropriate to set a threshold, for more room to work with local governments that experience financial issues.

Member Paul Johnson would like a discussion regarding fund balance. It has changed, and he thinks statute and budget forms may need to reflect that.

Member Vuletich noted that she would be unavailable on August 27, 2019 and requested another date.

Mr. Mitchell stated he would have staff poll the members for a date with the most members available.

Kelly Langley, with the Department, requested a discussion or subcommittee to discuss GASB 84. She noted the Department experienced this with CCSD in their final budget. Member Ciesynski suggested an outside audit firm participate in that discussion.

Chairman Leavitt would like to have a discussion regarding a regulation that indicates conditions and reports necessary for entities on fiscal watch to submit. Detailed, providing obligations.

Chairman Leavitt added that the items mentioned after the last meeting should be included as well.

Member Ciesynski noted that Nye County was requested to return.

Chairman Leavitt asked if Washoe County School District was returning as well.

Ms. Langley responded that Washoe County School District and Clark County School District were to discuss impacts of the legislature.

ITEM 6. PUBLIC COMMENT (See Note 2)

There was none.

ITEM 7. FOR POSSIBLE ACTION: ADJOURNMENT

Meeting was adjourned at 11:16 a.m.