

Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
January 28, 2020, 9:00 a.m.

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

COMMITTEE MEMBERS PRESENT:

Marvin Leavitt
Mary Walker
Marty Johnson
Tom Ciesynski
Paul Johnson
Jim McIntosh
Gina Rackley
Beth Kohn-Cole
Jeff Cronk
Jessica Colvin
Christine Vuletich

COUNSEL TO COMMITTEE:

Peter Keegan

**DEPT OF TAXATION STAFF
PRESENT:**

Jeffrey Mitchell
Kelly Langley
Kellie Grahmann
Keri Gransbery
Evelyn Barragan
Chali Spurlock
Denesa Johnston
Hector Sepulveda

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Abbe Yacoben	City of Las Vegas
Will Harty	City of North Las Vegas
Erin Thiess	LVCVA
Paula Lockridge	Douglas County Sewer District
Sherry Wideman	Churchill County
Jason Goudie	Clark County School District
Steven Baranowski	Clark County School District
Maria Gueder	Clark County School District
Kristen Rowles	Clark County School District
Brad Keating	Clark County School District
Leonardo Benavides	Clark County School District
Robert Erickson	City of Fallon
Vinson Guthreau	NACO
Tim Sutton	Nye County
John Koenig	Nye County
Savannah Rucker	Nye County
John Prudhont	Nye County
Lorinda A. Wichman	Nye County Hospital District
Seth Autamirano	Town of Minden
Nicola Neilon	Minden Gardnerville Sanitation District
Bill Peterson	Minden Gardnerville Sanitation District
Peter Baretti	Minden Gardnerville Sanitation District
Andrew Hickman	Round Hill GID
Barry Duncan	Nevada Taxpayers Association
Donna Little	Esmeralda County
Tim Hipp	Esmeralda County
Dan McArthur	Esmeralda County

ITEM 1. ROLL CALL AND OPENING REMARKS

All members were present.

ITEM 2. PUBLIC COMMENT

Brad Keating, with Clark County School District (CCSD), expressed concerns regarding the proposed changes to fiscal watch. It will allow the Committee on Local Government Finance (the Committee) to ask for any information without limitation and if the local government requests to amend that request, the Committee holds ultimate approval to uphold their own request. CCSD is asking for a neutral third party to make that decision. Requiring a local government already under fiscal stress to produce additional effort without the steps improving the financial condition of the entity seems counterproductive. The requirement to prepare and submit an amended budget as was requested could require an entity on fiscal watch to produce even more when the law already provides for three budgets a year. At the time of the request to CCSD for an amended budget there were significant unknowns, at that time an updated budget would have been inaccurate. An amended budget takes CCSD approximately three weeks, nearly \$26,000.00 in staff time, and 400 staff hours. CCSD has worked hard to comply with the Committee's requests and significantly improved their financial condition. They are asking the Committee to really look at 3(b).

ITEM 3. FOR POSSIBLE ACTION: SUBCOMMITTEE REPORTS REGARDING RULES OF PRACTICE REQUIRED BY NRS 233B.050:

Chairman Leavitt thanked Members Walker and Colvin for their hard work on the subcommittees.

- (a) To determine if regulations and statute need to be updated to reflect changes in fund balance**
- (b) To determine regulatory changes to describe conditions and reports necessary for entities on fiscal watch**
- (c) To discuss GASB 84 and any accounting changes that may require regulation or guidance**
- (d) Discussion regarding a threshold for school districts with a 3 year declining balance**
- (e) Advisory Question and Ballot Language Templates in regards to Diesel Tax**

Jeffrey Mitchell, with the Department of Taxation (the Department) explained that the subcommittees were held as requested to look at possible language changes. The Department is not asking the Committee to approve language at this time, but to review the language proposed. The language was submitted to the Legislative Counsel Bureau (LCB) for review, once the Department receives the language, they will hold another workshop to look at the language and refine it if necessary, based on comments received.

Member Walker added there were two meetings with the subcommittee as well as a regulatory workshop. She noted the only changes regarding fund balance were to follow the NRS changes made in the legislature.

Chairman Leavitt asked Mr. Mitchell to discuss the fiscal watch issue. Mr. Mitchell noted there is not much in NRS regarding fiscal watch requirements. The reasoning behind the changes is to provide guidance to all parties to know what is required and what to expect. He reviewed the proposed language. He noted the request for documentation is broad as entities are not always on fiscal watch for the same reasons. The Department felt that the governing boards should realize what is required and what fiscal watch is. He reviewed the documentation that may be required and that the notice will need to go before the governing board, with minutes noting such submitted to the Committee or the Department.

Chairman Leavitt stated there is wisdom in general language relating to what may be required, adding they have never had a situation like Nye County before. Without language, they would not have received the information they have been able to.

Member Walker noted this puts a local government on notice for things that may be requested. They can see and plan on what may be required. When they did the original regulations, they spent a lot of time on severe financial emergency not fiscal watch. They did not anticipate an entity could be on fiscal watch for years. She added the Department has a difficult time getting reports and timelines from local governments and believes this will help the Department to get these things in a timely manner. Chairman Leavitt noted this could be beneficial to the local government to provide, without this information they could be put on severe financial emergency. He thinks this would be beneficial to both the Department and the local government.

Member Ciesynski noted during this process, some people may have thought the Department, or the Committee, were the hammer but they are here to assist local governments, their intention is to help them get off fiscal watch. Chairman Leavitt agreed.

Mr. Mitchell continued, noting the local government could submit an appeal of the requested information and the Committee or the Department may grant or deny their appeal, noting the decision shall be final. The Department may not be aware of circumstances involved in requesting the information. This would give the entity a chance to explain if the request is unreasonable.

Member Paul Johnson noted in prior meetings he discussed that the chief financial officer (CFO) is generally requested at these meetings and may not be part of the problem. He thinks the superintendent or chairman of the board should be present also. He has been a shield for the school district before, but the financial advisor does not make the decisions. Member Walker noted the subcommittee agrees with those comments and they tried to put the governing board on notice in this language. Under "L" it allows the Department to request who needs to appear. She asked Member Paul Johnson if it should be more specific, he was unsure, maybe it just needs to be a letter to the chair from the Department to appear. Chairman Leavitt noted it would be too difficult

to be specific due to the amount of titles that would need to be addressed. Member Walker suggested they verbally put on record the intent of the committee regarding “L” would be for the Department to request a board member, not just the CFO and manager. Tom Ciesynski added in addition to a board member they also talked about the CEO being in front of the committee if desired.

Chairman Leavitt noted that could be discussed after LCB returns the proposed language. Member Marty Johnson agreed adding he brought this exact situation up in the subcommittee meeting. He suggested inserting “officers including elected officials” to appear at the Committee meeting. Chairman Leavitt did not have any problems with that, stated the information sent to LCB would need to be amended.

Mary Walker suggested the language for “L” be changed to “Officers of local entity, including elected officials, to appear in front of the Committee on Local Government Finance”. Members Paul Johnson and Marty Johnson agreed as did Chairman Leavitt. Mr. Mitchell noted a motion is unnecessary at this time. Changes can be made at the workshop to be held once LCB returns the language.

Chairman Leavitt went on to the GASB 84 regulation or guidance. Mr. Mitchell explained this subcommittee also discussed GASB 87 and some changes required there. At the subcommittee meeting it was determined to send a survey to local entities to see if a guidance letter was necessary. He added that the results are not back yet.

Regarding the threshold for school districts with a 3 year declining balance, Chairman Leavitt noted he and Member Marty Johnson discussed this before. An entity could have a good balance, but due to decline, they could still have to appear at a committee meeting. Member Ciesynski noted this is in statute under NRS 387.3045, which states the government entity shall submit a written explanation for the cause of the decline. He believes the subcommittee determined if this were to change it would need to happen legislatively.

Chairman Leavitt suggested they could permit the district to provide a written submittal rather than a physical appearance and asked Ms. Langley what she thought. Kelly Langley, with the Department, believes the Department would be agreeable to that. When they have had that problem, they are required to provide notice to the Committee, but the local government has been told if the Department doesn’t foresee any issues, they can dial in to the call rather than appear in person. Chairman Leavitt agreed they can come to an agreement without appearance until the statute is changed.

Chairman Leavitt asked Peter Keegan, Deputy Attorney General, to review the ballot language regarding Diesel tax. Mr. Keegan noted the ballot language was required due to SB48. He produced copies of an advisory question and a ballot question. Chairman Leavitt asked if it was ready for approval, Mr. Keegan believes it is, noting Member Walker chaired the subcommittee and they worked with Mr. Mitchell on this.

Member Kohn-Cole motioned to approve the draft of the final advisory question and ballot questions regarding the special diesel tax. Tom Ciesynski seconded the motion. Motion passed unanimously.

ITEM 4. FINANCIAL CONDITION REPORTS BY THE DEPARTMENT; CONSIDERATION AND POSSIBLE ADOPTION OF RECOMMENDATIONS AND ORDERS

Member Kohn-Cole recused herself from this item due to a conflict.

(a) For Possible Action: Discussion and Consideration of Clark County School District Financial Condition

1. Report by the Department and Clark County on the Following Matters:

- a) Discussion & Report Regarding the School District’s Amended Final Budget for FY 19/20**
- b) Discussion & Report Regarding the School District’s Projected Cash Flow Reports for FY 19/20**
- c) Discussion regarding the School District’s Comprehensive Annual Financial Report FY ended June 30, 2018, as submitted**

Ms. Langley discussed the increases in fund balances for CCSD, adding the Department received their corrected action on the two violations they had. CCSD will work closer on their numbers and work with the

Department of Education to see if they can get the numbers earlier to include in their amended final budget. She introduced Jason Goudie with CCSD.

Mr. Goudie noted they plan to have the cash flows updated for the amended final budget. They are updating their systems to a new HCM system and it is taking priority. The cash flows continue to show improvement based on financial changes they made. The amended final budget was released in December 2019. It was consistent with the preliminary amended final budget submitted to the Committee in a summary. He discussed the funding they received. 2019 ended better than projected. They will maintain the \$40 million in reserves in the 2020 budget, in 2021 they will use that. They announced there is potentially up to a \$9.5 million deficit for 2021. They anticipate having the cuts necessary to balance the budget by the final budget. They are budgeting the ending fund balance (EFB) in 2020 of \$95 million. The unreserved fund balance is increasing. He noted they have reached agreements with all five bargaining units.

Mr. Goudie referred to the CAFR, noting since they were placed on fiscal watch, their fund balance has grown, they made cuts and changes to improve the financial stability of the district and continue to commit to properly budget on the restricted side ensuring schools will get their money if they don't spend it, also growing the unassigned fund balance. He noted Ms. Langley addressed their two violations, one a minor error, the other was the additional funds from grants. They are continuing to work with the State as well as the Department.

Chairman Leavitt expressed appreciation that the CAFR was submitted on time, as well as the growth to their EFB. He hopes that until they build up the 2.5%, they don't have any big emergencies. The Committee appreciates the steps taken and want to see it continue. It is important that the Committee receive updated information, particularly with the cash flows.

Member Colvin referred to page 100 of the CAFR, regarding fund balance on the general fund. She asked for clarification when the \$40 million would be used, Mr. Goudie replied they anticipate using it in 2021. Member Colvin questioned if it is a one time revenue source and they will be behind in 2022, Mr. Goudie confirmed. She noted their unassigned fund balance looks like it is growing, and the assigned fund balance will increase. He confirmed. She added that it looks like it is improving but cautioned him on using that \$40 million for operations.

Member McIntosh complimented Mr. Goudie on their improvements and asked for clarification that they will still experience a deficit in 2021 even with the \$40 million. Mr. Goudie confirmed noting that is a preliminary number, they are still building the budget, they only have a preliminary 2021 budget currently. It will be balanced by the tentative budget. Member McIntosh asked when the labor contracts were complete through, Mr. Goudie replied that they were complete through 2021.

Member McIntosh asked why potential litigation was assigned to the general fund not risk management. Mr. Goudie replied that the risk management fund has been underfunded, explaining the increase in their litigation and that they have assigned some of the general fund to assist with that. Member McIntosh clarified if it is anticipated but unknown, Mr. Goudie confirmed. Member McIntosh thinks Mr. Goudie has done a good job restoring EFB. He noted the funding formula is changing in 2022 and school districts are reliant on state funding.

Member Ciesynski echoed the compliments to CCSD. He asked about the enrollment trends. Mr. Goudie replied that enrollment flattened out last year. They have budgeted for a decline. Member Ciesynski also asked for an update on teacher hiring. Mr. Goudie responded that their position is not significantly different than in the past. They are implementing some changes in their process.

Member Paul Johnson complimented Mr. Goudie and asked what their annual inflation calculation is. Mr. Goudie explained the process and additional expenses. Member Paul Johnson noted they would need \$75 million to \$100 million each year to break even, Mr. Goudie confirmed. Member Paul Johnson asked how many times since Mr. Goudie has been there has the funding gone beyond that number, Mr. Goudie responded it has only happened once, this last session. Member Paul Johnson noted that funding generally has not outpaced expenses, the fact that CCSD has built fund balance is remarkable.

(b) For Possible Action: Discussion and Consideration of Minden Gardnerville Sanitation Financial Condition

1. Report by the Department and Minden Gardnerville Sanitation on the Following Matters:

a) Update by District regarding FY 16/17, 17/18 & 18/19 Audit not Completed in Accordance with NRS 354.624, Which Requires Audit be Completed by a Certified Public Accountant or by a Partnership or Professional Corporation that is Registered Pursuant to Chapter 628 of NRS

Chairman Leavitt could not recall anyone having the situation Minden Gardnerville Sanitation has had.

Bill Peterson, attorney for Minden Gardnerville Sanitation, introduced Nicola Neilon, the new CPA and Peter Baretti, the new District Manager hired by Minden Gardnerville Sanitation. Mr. Peterson noted the audits were complete and recommendations issued. Minden Gardnerville Sanitation is working on those recommendations.

Chairman Leavitt noted the Committee appreciated them getting these audits done.

(c) For Possible Action: Discussion and Consideration of Esmeralda County Financial Condition

1. Report by the Department regarding Esmeralda County on the Following Matters:

a) Report from the County regarding failure to timely request for extension in filing annual audit in accordance with NRS 354.624 (1)

Ms. Langley explained Esmeralda County was requested to appear due to the untimely request for extension of their audits. She explained the Department has weekly calls with them to ensure compliance. She explained the issues they have had to comply. She introduced Commission Chairman Timothy Hipp, Esmeralda District Attorney Robert Glennon, and their auditor Dan McArthur. Ms. Langley plans to have Esmeralda County at the next meeting as well.

Mr. Glennon noted they are hoping to complete the audit by February 28th, and they are here today because they did not get the extension done by December 1st. He apologized for not knowing all the statutes and was unaware until December 15th of the December 1st deadline, he noted he will not forget that statute again.

Chairman Leavitt noted when he was in auditing, he always knew the deadlines and did not rely on counsel to tell them to him. He explained the statutes are designed to provide for audits to be available, and budgets after that. When it is not on time, it fouls up the whole situation. He advised them to not do it again.

Mr. Glennon replied that they now know the time frames and will work overtime this year, so it doesn't happen next year. Chairman Leavitt noted that Esmeralda County was before the committee another time for not meeting PERS. Chairman Leavitt requested assurance that next year they will have the audit and the deficiencies will be resolved. Mr. Glennon and Mr. Hipp assured him.

Commissioner Hipp thanked Ms. Langley, stating she has been aggressively getting them on track.

(d) For Possible Action: Discussion and Consideration of Nye County Financial Condition

1. Report by the Department and Nye County on the following matters:

a) Update on Treasurer's Office Monthly Bank Reconcilements and Treasurer's Reports and update on status of filing with County Commissioners

b) Report by Nye County regarding Preparation for the 2019 Annual Audit and issues requiring multiple extensions of Annual Audit in accordance with NRS 354.624

c) Status update by Nye County Comptroller regarding FY 19/20 Budget

Ms. Langley noted that Nye County received two extensions for their CAFR Audit and expect to provide a copy to their governing body by the end of January and they are scheduled to approve the audit at their February board meeting. The Department has had weekly calls with them to keep the county accountable. Many issues have been resolved. She is hopeful they can maintain this going forward. She noted the delay in the CAFR has caused numerous entities in the county to be behind as well. She introduced John Prudhont, Dan McArthur, John Koenig, and Savannah Rucker.

Savannah Rucker with Nye County noted the Board of County Commissioners will have the audit by Friday, January 31st. It is on the Agenda for February. The primary delays were the Treasurers report and the bank reconciliation. She went over the status update on the 19/20 budget that was provided in the packet. Revenues are on track for fiscal 20, fiscal 19 is wrapping up nicely.

Member Ciesynski asked Mr. McArthur, Nye County's auditor, what they could expect in the audit.

Mr. McArthur asked for clarification if they wanted to know about the findings. Mr. Ciesynski confirmed. Mr. McArthur noted there are some reconciliation adjustments needed, some NRS compliance issues regarding internal control. He believes by Friday it will be ready for review, they don't anticipate problems. They found it was necessary for them to look at reconciliations back to 2018, many issues carried forward monthly. They intend to work with the treasurer's office.

Member Kohn-Cole asked if they will be issuing a qualified report. Mr. McArthur replied that he does not believe it will be a qualified report.

Chairman Leavitt noted he is looking for them to not have this reconciliation problem moving forward. That they will have audit reports on time, without extension requests. He asked them to assure him.

John Koenig, with the Nye County Commissioners, stated that he sees they appear to be on track. This situation should not happen again. He is relatively confident but can't guarantee.

Chairman Leavitt noted it is a positive sign that the reconciliations are up to date. He expects Nye County will remain on fiscal watch at least through the next cycle.

Ms. Langley agrees that the reports are timely now, she believes with the help of Mr. McArthur they will be able to bring this forward so they will not be in this situation next year.

Mr. Prudhont, Nye County Treasurer, commented that last year there was a lot of concern as he was new to his position. This year there has been a turn around. They have hired qualified staff and have gone through training. He feels they have come forward with leaps and bounds and this is a different department than it was a year ago.

Chairman Leavitt asked for his assurance that they will not have these problems next year. Mr. Prudhont agreed.

Member Colvin complimented Ms. Rucker for a good job. Chairman Leavitt agreed. Ms. Rucker commented that they have a great team in Nye County. Mr. Koenig noted that they have had a good thing come out of a bad thing, and they need to keep it going.

ITEM 5. BRIEFING TO AND FROM THE COMMITTEE ON LOCAL GOVERNMENT FINANCE AND LOCAL GOVERNMENT FINANCE STAFF

- (a) Report by the Department of Local Government Finance
 - (1) Indebtedness report review

Ms. Langley referred to the Indebtedness report provided in the packet for their records.

She noted that she has never seen a year with so many extension requests. Currently School Districts that have requested extensions are Nye County, Eureka, and Lyon County. Eureka is expected by the end of January and they have been having weekly conference calls with them. She noted it has been frustrating. She added that Eureka has had some extenuating circumstances. Counties that have not submitted their audits are Nye County, Douglas County, Esmeralda County, and Humboldt County all are expected in February. Storey County and Carson are expected next month. She realizes the counties have had software changes and have run into problems from it, the transition has created problems. She thanked her staff for working with the local governments to get the audits in.

Chairman Leavitt questioned if the new systems are the cause, Ms. Leavitt thinks that it is a large portion of the problems. She is concerned as some counties say they are ok, but there is no way they are, they just don't realize it yet. She thinks the issues will be the same across the board.

Chairman Leavitt asked if it is her impression that most of these entities have competent people occupying these positions. She responded ultimately yes. She is concerned about the SEG report that is due soon. She is not confident in the new software, DEVNET is producing different numbers when ran parallel to the old system, and they do not know which is correct. She realizes the counties are dealing with a lot right now, and the Department has been recommending the counties rely on the ones that have gotten through it.

Member Rackley noted she is one of the counties that have not submitted their audit, they had to expand the scope of their audit on one of their funds. She thinks part of the disfunction in the software was the limited time they were given to find a new one and get it converted. They are recreating the wheel at every county. She is conducting training at the NACO offices on February 13th and 14th to encourage the counties that converted to Tyler to attend, one day will be focused on budgeting, the other on bank recon. She agrees the counties should reach out to each other.

ITEM 6. REVIEW AND APPROVAL OF MINUTES

(a) For Possible Action: CLGF Committee Meeting – August 27, 2019

(b) For Possible Action: CLGF Subcommittee Meeting – October 16, 2019

(c) For Possible Action: CLGF Subcommittee Meeting – October 18, 2019

(d) For Possible Action: CLGF Subcommittee Meeting – December 19, 2019

Member Ciesynski moved to approve all the minutes, Member Kohn-Cole seconded. The motion passed unanimously.

ITEM 7. FOR POSSIBLE ACTION: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING

Chairman Leavitt suggested the first part of May for the next meeting. Ms. Langley suggested March or April as the Department will have quite a few of the audits in. Chairman Leavitt agreed to the end of March, first part of April.

Member McIntosh suggested a future agenda item to review the state forms for potential changes that may be made due to the expected funding changes. He asked what the process would be to do this.

Chairman Leavitt asked if they know some of the possible changes that would affect the forms. Member McIntosh noted, on behalf of the Education Commission, they are only preliminary changes at this time. Chairman Leavitt thinks they are not ready to change the forms and asked when the new plan would take effect. Member McIntosh replied FY22. Ms. Langley noted the Department had a preliminary meeting with LCB, and it would be the following budget year, not this one. There are some items the Department of Taxation will not need to be providing. They have been invited to a meeting to start talking about that. The Departments goal is there will be changes in their forms.

Chairman Leavitt suggested placing a preliminary discussion about the forms on the next agenda. He also wants the continuing items relating to the regulations and the reports relating to that.

ITEM 8. PUBLIC COMMENT (See Note 2)

There was none.

ITEM 9. FOR POSSIBLE ACTION: ADJOURNMENT

Meeting was adjourned at 10:56.

1030 10:34:45