

Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
June 3, 2020, 9:00 a.m.

The meeting was held at the Department of Taxation, 1550 College Parkway, Carson City, Nevada by 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
Keri Gransbery
Evelyn Barragan
Christina Griffith
Chali Spurlock
Denesa Johnston
Hector Sepulveda

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Sherry Wideman	Churchill County
Jason Goudie	Clark County School District
Dillon Kay	Clark County School District
Steven Osburn	Clark County School District
Jeanette Duque	Clark County School District
Leonardo Benavides	Clark County School District
Diane Bartholomew	Clark County School District
Robert Erickson	City of Fallon
Vinson Guthreau	NACO
John Prudont	Nye County
John Koenig	Nye County
Savannah Rucker	Nye County
Raylynn Power	Nye County
Barry Duncan	Nevada Taxpayers Association
Lucinda Elgan	Esmeralda County
Vera Boyer	Esmeralda County
Dan McArthur	Esmeralda County
De Winsor	Esmeralda County Commissioner
Robert Glennon	Esmeralda County District Attorney
Alan Kalt	Carson City School District

ITEM 1. ROLL CALL AND OPENING REMARKS

All members were present, however, members Walker and Vuletich joined the call after roll call.

ITEM 2. PUBLIC COMMENT

Jeffrey Mitchell, with the Department of Taxation (the Department), noted that the Department received written public comment. Chairman Leavitt confirmed the members had received it. There was no other public comment

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

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

- 1. Report by the Department and Clark County School District on the Following Matters:**
 - a) Discussion & Report Regarding the School District's FY 20/21 Budget**
 - b) Discussion & Report Regarding the School District's Projected Cash Flow Reports for FY 19/20**

Member Kohn-Cole stated she would be recusing herself from this discussion due to a conflict.

Ms. Kelly Langley, with the Department mentioned the 3/31/20 Quarterly Economic Survey (QES) reflected significant reduction in operations of most entities and cites also citing anticipation of significant decrease in expected revenue. Cash flow projections from January to April were received. There continues to be a positive variable through April. She noted LSST was less than anticipated in April, and due to COVID-19 she

anticipates that will continue to be less than projected. She added GST is also less than projected as of April. The cash flow reflects the \$200 Million financing, the Department received the POS last month.

Ms. Langley added Clark County School District's (CCSD) amended final budget reflects an increase in ending fund balance (EFB), beginning fund balance, revenue, and a \$154.1 Million expense increase primarily due to FY2020 collective bargaining agreements. The 2021 final budget expected \$12.8 Million in additional revenue.

Ms. Langley introduced Jason Goudie, with the Clark County School District. Mr. Goudie confirmed the cash flows were provided and remain strong, improving over prior years. They are still assessing the impacts of COVID-19 and are waiting for guidance from the state on potential funding reductions. He added they made some changes to the revenue projections based off preliminary estimates. He provided a summary of the 2021 Budget. They received funding information from the state on the basic guaranteed support per pupil amount, \$3 less than previously provided. They expect a decline in enrollment due to increased charter school enrollment.

Mr. Goudie discussed the revenue assumptions. LSST was reduced but is expected to be an increase by BSA. Property tax is expected to increase slightly over the original forecast. Government services tax is expected to be reduced by about 10%. BSA is expected to increase. This results in a net increase in revenue of around \$38 Million. He noted the district has balanced the budget through reductions in central service and the school strategic budget.

Mr. Goudie continued that the EFB for 2020 will be approximately \$240 Million. For 2021, they are expecting an EFB of \$61 Million. The primary reason for the decrease is they cannot have carry over, they will need to use reserves to offset a portion of the projected deficit and anticipate increasing their EFB by .25% consistent with their 2020 plan. He noted uncertainties; the financial impact of coronavirus, any potential recession impacts, enrollment uncertainties, potential state funding reductions, and any amount of reimbursement under FEMA or CARES have not yet been received.

Mr. Goudie noted they have financial agreements with all their bargaining units through 2021. The only units that do not have full agreements through 2021 are CPA and ESDA. The only significant item still outstanding is the implementation of NRS 318, but there is minimal financial risk with it.

Mr. Goudie closed noting since the end of 2017, when the district was placed on fiscal watch, the district made cuts of over \$150 Million, increased projected EFB, and has additional restricted reserves for school budgets. He added that CCSD has had a budgeted fund balance below 4% for well over a decade and was not placed on fiscal watch until the balance fell to .3%. He understands the importance of a strong reserve and has advocated for that, but there needs to be a balance between increasing reserves and providing adequate funding to their schools. Adequate funding to schools does not currently happen in Nevada. He believes a strategic approach to increase the fund balance over time is appropriate and consistent with their 2024 objectives. He finalized by stating they still increased their fund balance while making significant cuts. He believes it is time to review the continued need to remain on fiscal watch.

Chairman Leavitt noted he anticipates the next meeting to be held at the beginning of August. He hopes by that time they will have several months of cash revenue and at that time they should know if the federal government will be kicking any money to the state, county, or school districts. He things at that meeting the Committee should have a full discussion about financial conditions of the various local governments. He asked if there were any questions or comments to the school district.

Member McIntosh noted that it is admirable how CCSD got their EFB back up. He asked Mr. Goudie to explain the restriction on the restricted funds and asked why it was so high. Mr. Goudie replied that they are expecting around \$108 Million in restricted funds under the reorganization bill of CCSD. He explained under that law any funds budgeted to a school are maintained by that school. The restricted can only be used by the school itself. Last year was the first year of full implementation. He further clarified that there are three main components: vacancy savings, supply money, and lastly service level agreements. The amount this year grew due to the vacancy savings and the closure of schools.

There were no other comments or questions for CCSD.

(b) 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 & Review regarding the corrective action letter received for the FY 18/19 CAFR

Ms. Langley announced Keri Gransbery, with the Department was here to present on this item, as well as Commissioner Windsor of Esmeralda County, Treasurer Lucinda Elgan and Comptroller Vera Boyer, also with Esmeralda County.

Ms. Gransbery discussed some of the issues leading up to the corrective action letter. She explained Esmeralda County filed for audit extension on December 27, 2019, after the November 30th deadline. The Department granted two additional extension requests.

She understands Esmeralda County had a valid reason for the requests due to the new Tyler System. She believes the paper trail of these events combined with the corrective action letter which details violations, with many that are repeated statutory compliance issues and accounting deficiencies outlines the Departments concerns.

Ms. Gransbery believes these violations will continue to repeat every year unless Esmeralda County makes better decisions. She does not think Esmeralda County is taking the Department's rules and regulations seriously. She has not responded back to Esmeralda County, as she is looking for direction from the Committee. She stated this is a pattern, and she doesn't see it changing.

Ms. Elgan stated that her office has made good strides getting the information they need out of the Tyler system. She noted there has been training, and more has been approved. Her office has hired a Chief Deputy Treasure to also learn how to do the bank reconciliation. She added that on the June 16th meeting, she will present to their board their current bank reconciliation. She has procedures outlined on how to do the bank reconciliation, as well as other training, not only with her internal procedures, but also with the new Tyler System. She believes Dan McArthur's office would be willing to assist them if there are any other training needs. Her report to the commissioners will be put on their Agenda, she believes it is in their best interest to include the auditor's report on the Agenda monthly. She will be more vocal with her commissioners going forward. She believes part of their problem has been a lack of communication. She thinks these things will eliminate a lot of their problems.

Ms. Boyer stated she believes they have made huge strides in working together. There is training going on in her office also. They are moving forward. She added that her reports will also be on the Agenda for the Commissioners.

De Winsor, Esmeralda County Commissioner noted they did get behind due to implementing the new system. He confirmed they are getting support with the new system and training from Dan McArthur's office. The Commissioners are in favor of this. They are working on making sure the reports are received and available. He stated they are trying to remedy this and get outside training where needed.

Chairman Leavitt reiterated that he expects CLGF to meet in the beginning of August. He added that he would like Esmeralda County to return and go over the changes they have made. He would like the auditor available also. He warned if they do not see some progress, CLGF may need to consider placing them on fiscal watch.

Mr. Winsor stated he understood and stated they are fully invested. Ms. Boyer noted her office will be presenting bank reconciliations to their Commissioners.

Member Rackley commented that Humboldt county went through the same software transition, and that is good software and worth the time needed to put into it.

Mr. McArthur noted he is aware of Chairman Leavitt's request and is willing to participate.

(c) 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 FY 18/19 CAFR, Auditor Adjustments & Corrective Action Letter received**
- c) **Status update by Nye County Comptroller regarding FY 20/21 Budget**

Ms. Langley listed the items provided in the packet. She noted in their corrective action letter Finding 2019-01 cites bank reconciliation and investment account activity to the General Ledger not completed timely or accurately for the twelve months. She added the Department struggles with getting these things timely as well.

She also stated that the Department continues to work closely with the Treasurer's Office and the Auditor to see that the adjustments are made on the Treasurer's report and the bank reconciliations.

She also noted the report shows the Treasurer's report also shows the bank reconciliations have been on time since November 2019 through January. She added that previous reports were delayed due to time needed to clean up entries.

Ms. Langley continued stating the departments biggest trouble is still waiting for the auditor adjustments to be made. The Department is still concerned with cross training. The Auditors report states this has been corrected, yet the Department staff has not seen that this is the case. She thinks cross training will continue to be a problem as the Treasurer's office continues to state they are shorthanded.

She also stated the 20/21 Budget was received timely and reflects a reduction in revenue and expenditures recognizing expected shortfalls due to COVID-19.

Ms. Langley introduced John Koenig and Savannah Rucker for Nye County, John Prudhont, Nye County Commissioner, and mentioned Dan McArthur was available for questions.

Mr. Prudhont stated he disagrees with Ms. Langley's statement and that he doesn't believe her comment on cross training is based on facts. He doesn't know where she is getting her information. He assured the Committee they are cross training. He also noted they are getting the reports in on time. He added that the issue is they are working with both their inside and outside auditor to make sure the entries are correct. They are not having internal, structural, or treasurer issues. He stated again that he disagrees with Ms. Langley.

Ms. Rucker summarized the budget assumptions that were made. May 11th County Commissioners were presented budget assumptions, those assumptions were based on information they had on COVID-19. There were projected losses across the board. Those were built into the FY21 budget. To rectify that, they presented to the board to use a portion of net proceeds. They are leaning on net proceeds but just a fraction, will continue to prefund their liability into the OPEB trust fund, and have reduced all department services, historically they have not applied a vacancy rate, but for FY21 they are. All those actions still created an EFB decline but is sustainable. They are not only dealing with COVID-19, but also the recent earthquake.

She further noted that they are prefunding their compensation packages so it will not be a hit to the general fund later.

Chairman Leavitt asked her about the audit adjustments and how they are being tracked. Ms. Rucker explained the entries are put in the system, posted, and then confirmed. She also noted the audit issues were resolved in May.

Member Ciesynski asked Mr. McArthur to speak on the bank reconciliations. Mr. McArthur explained they have been provided the reconciliations through March 2020, noting improvement. He added there was one adjustment for 2020 grants fund where only one side of that entry was made, with that one correction, the reconciliations will be rectified. He added there has been tremendous improvement and they feel good about the progress.

Chairman Leavitt agreed there has been substantial progress.

Mr. Koenig commented that they seem to be getting the bank reconciliations on time and they appear to be correct. He confirmed the Treasurer's office is doing cross training and that he would be going over there probably next week but he is confident that they are doing it. He added that he would like the Committee to

seriously consider removing Nye County from fiscal watch if they keep going the way they are going. Mr. Koenig believes they are on track and have done a heck of a job.

Chairman Leavitt asked where they stand on the corrective action. Ms. Rucker responded that they had eight findings, three were policy related and they are working on policies to rectify those issues. One was resolved in March of 2019, and four were specific to the Treasurers office, which they touched base on already. She added that they are all working collectively to resolve issues. They had a budget violation which they have rectified for the 2020-2021 FY. She explained the deficit in the ambulance fund and the County Grant Fund. All the issues on the corrective action letter have been resolved or are in the process of being resolved.

Chairman Leavitt asked if they would be willing to meet with their auditors to go over the violations and recommendations so that by the August CLGF meeting, they can provide a report of the completion of all of those. Ms. Rucker agreed.

ITEM 4. BRIEFING TO AND FROM THE COMMITTEE ON LOCAL GOVERNMENT FINANCE AND LOCAL GOVERNMENT FINANCE STAFF

Mr. Mitchell noted the Department has held a workshop regarding the regulations on the Ending Fund Balance as well as Fiscal Watch. He added that they are waiting for the language from LCB, and will hopefully have that by the August meeting.

Member Ciesynski noted concern for any impacts COVID-19 will have on the entities. He hopes, if there is anything the Committee can do to assist local governments the Department will help with that and provide support in that area.

Member Kohn-Cole agreed with Member Ciesynski. She added that as the Department is reviewing budgets, they should be highlighting areas where local governments did not reduce their revenues for 2021 because of potential COVID-19 impact. She thinks there will be significant budget augmentations will be necessary as well as directions from Local Government Finance to the entities that may not have accounted for that.

Chairman Leavitt thinks that by the next meeting they should have a pretty good idea of the impacts on revenues. He thinks they will have problems with many entities as it relates to revenue and funds.

ITEM 5. REVIEW AND APPROVAL OF MINUTES

(a) For Possible Action: CLGF Committee Meeting – January 28, 2020

Member Ciesynski noted a correction to page 146 of the packet, the CFO should say CEO. Member Ciesynski moved for the minutes to be approved with that one correction, Member Marty Johnson seconded the motion.

ITEM 6. FOR POSSIBLE ACTION: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING

Chairman Leavitt noted he was thinking the first of August for the next meeting.

Ms. Langley agreed that by the first of August the Department should be able to provide a report on what changes they saw from the tentative budget to the final budget due to COVID-19 impacts. She has already noticed an increase in contingency funds on the budgets she has reviewed. She added by the first week of August they should be able to provide a better view of what they look like, where they made changes, and what impact they have seen in the CTX.

Chairman Leavitt asked if there were any other topics to add. He stated they would have a discussion on revenues and about the budgets. He also added the three entities from this meeting will be back for the next one.

Member Colvin noted that Las Vegas is putting together an economic indicator report for their board. A brief summary that will indicate their COVID-19 financial recovery. She wondered if CLGF would like a similar report. Local governments could otherwise fall into trouble and the Committee would not know until the audits.

Chairman Leavitt noted that it sounded good to him.

Member Vuletich added that Washoe County is in the process of providing a similar report, and maybe they could coordinate with Ms. Colvin. She thinks it would be interesting to have a report like that for financial indicators. Chairman Leavitt agreed and suggested that maybe Washoe and Clark County could provide that.

He also added that maybe the Department could contact local governments letting them know that they are aware most local governments may have revenue shortfalls and that they need to take precautions early in the year rather than late.

Members Vuletich and Colvin agreed. Member Colvin also noted she would reach out to Member Vuletich and maybe Member Marty Johnson as well if he would be willing to assist them. Member Marty Johnson agreed.

Mr. Mitchell asked for clarification regarding the role the Committee expects the Department to take regarding reporting. Chairman Leavitt stated he is only suggesting the Department make the entities aware that they are likely to experience problems with revenue, and if any are already preparing any kind of report, that they may make them available to the Department.

ITEM 8. PUBLIC COMMENT (See Note 2)

There was no Public Comment

ITEM 9. FOR POSSIBLE ACTION: ADJOURNMENT

Meeting was adjourned.