POLICY NO.	DATE	OFFICE OF PRIMARY RESPONSIBILITY (OPR)
FIN-25	**11/14**	**Finance**
Title: **FINANCIAL MANAGEMENT FRAMEWORK POLICY**		

1) POLICY

The Las Vegas Convention and Visitors Authority (LVCVA) maintains a focus on conservative fiscal practices and prudent financial management that allows it to adapt to fluctuations in economic conditions. Many of the financial policies under which the LVCVA operates are governed by State law or regulations of the Nevada Department of Taxation. Nevada local governments are afforded little ability to raise revenue or increase taxes. Likewise, debt issuance and the expenditure of money must adhere to State regulations as well as accounting principles governed by the Governmental Accounting Standards Board (GASB). The LVCVA has a long-standing history of strict compliance with the regulations and standards of both bodies.

2) RESPONSIBILITIES

This policy statement represents the objectives of the LVCVA executive team, management and the Board of Directors and will be adhered to by all employees, officials, and financial representatives affiliated with the LVCVA. Department heads are responsible for managing the financial resources delegated to them in line with approved policies and practices.

3) GUIDELINES

A) Credit Ratings

Credit ratings issued by the bond rating agencies indicate to potential buyers whether a governmental entity is considered a good credit risk, and are a major factor in determining the cost of borrowed funds in the municipal bond market. Moody's Investors Service and Standard & Poor's are two of the principal rating agencies for municipal debt. The LVCVA continue prudent financial management practices and make fiscal decisions that will safeguard the credit ratings of the organization. Rating upgrades will be pursued as economic conditions improve.

B) Internal Audit

In addition to the oversight provided by the State Department of Taxation, the LVCVA adheres to a rigorous internal and external auditing program. The LVCVA’s Internal Audit Department completes numerous financial audits, operational audits, and compliance reviews annually. The LVCVA is also audited annually by an independent CPA firm, which has consistently rendered unqualified opinions regarding the LVCVA’s comprehensive annual financial report. The LVCVA will sustain its comprehensive internal audit program, the annual independent external audit, and implement activity specific quality control assessments as appropriate.

C) Policy Statements – All funds

i. Local governments are not prohibited from establishing fiscal policies that are more restrictive than those envisioned by State statute.

ii. The LVCVA has established policy statements which guide its fiscal affairs. Most of these are summarized in the annual budget document and they can be found in their entirety in the Finance Department Policy Manual.

D) <u>Policy Statements – General Fund, Ending Fund Balance</u>

i. For governmental accounting purposes, ending fund balance is reported in a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources (refer to Section E). It is important to note that this concept differs from that of retained earnings reported by non-governmental entities.

ii. Unrestricted fund balances provide a financial cushion against anticipated changes. While changes in economic conditions may occur from year to year, maintaining adequate unrestricted fund balance over the long term is an important component of sound financial management and a significant factor in bond ratings.

iii. Historically, the LVCVA's ending fund balance has varied based on the amount and timing of debt service, capital expenditures and changes in net assets. Based on state law and internal policy, ending fund balance has previously been targeted at between two weeks and one month's operating expenditures (4.0% - 8.3%).

iv. The LVCVA begins each new fiscal year operating off beginning fund balance for six weeks based on the timing of the first "new" years' room tax collections. Six weeks of operating expenditures is 12%.

v. The Government Finance Officers Association (GFOA) "Best Practices" and the National Advisory Council on State and Local Budgeting (NACSLB) recommend maintaining a minimum unrestricted fund balance in the General Fund of two months operating expenditures (16%).

vi. The LVCVA has a substantial effect on the health of Las Vegas and the Southern Nevada community by fulfilling its core mission of bringing visitors to the destination. When economic conditions are at their lowest, whether through recession, natural disaster, or terrorist threats, the need for the LVCVA to take action to drive visitation is heightened. The LVCVA's ability to respond to such circumstances is fundamental to its purpose. Should such an event occur, the LVCVA will require the ability not only to offset the loss of revenue, but also to defer and redirect funds toward economic recovery.

vii. In order to ensure that the LVCVA has sufficient cash on hand to meet all of its financial obligations in a timely manner and to ensure that essential services are not disrupted in times of fluctuating revenues, the LVCVA will target ending fund balance between 4% and 16%.

E) Policy Statements – Fund Balance Categorization

i. In compliance with Governmental Accounting Standards Board (GASB), fund balance consists of the following five categories:

FUND BALANCE CATEGORIZATION

NON-SPENDABLE:		***Non-spendable Fund Balance*** consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.
RESTRICTED:		***Restricted Fund Balance*** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
UNRESTRICTED:	**COMMITTED:**	***Committed Fund Balance*** consists of funds that are set aside with the intent to be used for a specific purpose by the Authority's highest level of decision making authority (Board of Directors). Formal action must be taken prior to the end of the fiscal year and the same formal action must be taken to remove or change the limitations placed on the funds (resolution or board approval both of which are considered to be equally binding).
	ASSIGNED:	***Assigned Fund Balance*** consists of funds that are set aside with the intent to be used for a specific purpose at the Authority's highest level of decision making authority or a body or official that has been given the authority to assign funds. The Board of Directors has provided such authority to the President/CEO and the Vice-President of Finance. Assigned funds cannot cause a deficit in unassigned fund balance.
	UNASSIGNED:	***Unassigned Fund Balance*** consists of excess funds that have not been classified in the previous categories. Funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

ii. The LVCVA's policy is to spend restricted fund balance first, followed by unrestricted fund balance. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

F) Policy Statements - Capital Improvement Plan

i. The LVCVA prepares a multi-year capital improvement plan (CIP) as a financial planning and management tool, which is updated annually.

ii. The CIP lists all proposed capital projects and capital acquisitions for a rolling five-year period.

iii. For each project / acquisition, the CIP contains an explanation, justification, documentation, cost, and a priority category.

iv. It is important to match capital needs with economic resources over a long term horizon to ensure that adequate resources are identified. Excessive reliance on debt issuance could place constraints on the LVCVA's credit worthiness or future credit rating. In this regard, the CIP process includes a complete analysis of the anticipated sources of funds for future capital projects.

v. A plan to set aside current revenues each year to finance future capital needs is included as part of the multi-year forecast.

G) **Policy Statements – Other Post Employment Benefits (OPEB)**

i. The LVCVA is required to report the projected liability and annual required contributions for other post-employment benefits (OPEB). OPEB liabilities include the actuarially calculated long-term costs for benefits employees will receive upon retirement. For the LVCVA, this includes the Public Employees Benefit Plan (PEBP) premiums and the estimated impact on health insurance premiums as a result of retiree participation.

ii. The cost of retiree benefits were funded on a pay-as-you-go basis through FY 2012. This practice did not provide for the accumulation of funds for the compounding growth of future liabilities.

iii. Staff evaluated three funding options to address the OPEB liability, to include: 1) continuation of "pay-as-you-go", 2) issuance of bonds to fully fund a qualified trust, and 3) establishment of an Internal Service Fund (ISF) to accumulate reserves committed to the OPEB liability.

iv. In accordance with NRS 354.543 and 354.604, the LVCVA established an ISF entitled "*Other Post-Employment Benefits Reserve Fund*" to account for cash held in reserve to offset the liability for post-employment benefits in fiscal year 2013.

v. Operating transfers from the General Fund to the OPEB Reserve Fund will be incorporated into the annual budget process. Annual funding contributions will be determined based on current revenue streams and the goal of fully funding the outstanding liability. The target for full funding is 10 years from the establishment of the OPEB Reserve Fund.

H) Policy Continuation

i. This policy addresses a broad framework of fiscal oversight for the LVCVA. Much of the guidance is based on historical outcomes which resulted in critical guidance to prepare for future economic contingencies.

ii. This policy will be reviewed by the Senior Vice-President of Finance no less than annually, and evaluated for compliance in meeting the goals established herein.

AUTHENTICATION:	Approved by the Board of Directors	11/14
	Approved by the Senior Vice President of Finance	10/14
	Reviewed by the Vice President of Finance	02/13
	Approved by the Vice President of Finance	11/11
	Approved by the President/CEO	11/11
	Approved by the Board of Directors	11/11

SUPPLEMENT A

Most recent ratings*: The Las Vegas Convention and Visitors Authority Revenue Refunding Bonds were rated A1 and A+ in June of 2012 by Moody's and Standard & Poor's, respectively.*