



CONVENTION AND VISITORS AUTHORITY

POLICY NO. FIN-25	DATE 11/09	OFFICE OF PRIMARY RESPONSIBILITY (OPR) 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. Both agencies have maintained their ratings of the Las Vegas Convention and Visitors Authority revenue bonds as "Aa3" and "A+", respectively (Sep09). The LVCVA continue prudent financial management practices and make fiscal decisions that will safeguard the credit ratings of the organization.

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. In just the past three years, the LVCVA's Internal Audit Department has completed 43 financial audits and 17 compliance reviews (Sep09). 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.

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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) Policy Statements – General Fund, Ending Fund Balance

- i. For governmental accounting purposes, ending fund balance is defined as the portion of equity available for appropriation, exclusive of previous debt, capital and other allocations. It is important to note that this concept differs from that of retained earnings reported by non-governmental entities. Historically, the LVCVA's fund balance has varied based on the amount and timing of debt service, capital expenditures and changes in net assets. By policy, ending fund balance has previously been targeted at between two weeks and one month's operating expenditures (4.0% - 8.3%).
- ii. Fund balances provide a financial cushion against anticipated changes. While changes may occur from year to year, maintaining adequate fund balances over the long term is an important component of sound financial management and a significant factor in bond ratings. The financial stresses witnessed during the economic recession of FY 2009 warranted a re-examination of the previously established targets. In order to ensure that the LVCVA has sufficient cash on hand to meet all of its financial obligations in a timely manner and ensure that essential services are not disrupted in times of fluctuating revenues, **the LVCVA will target ending fund balance be increased to between 8.3% - 12% by FY 2012.**
- iii. This fund balance represents only about one month to six weeks' expenditures and is necessary due to the timing of revenue receipts. All room tax received in July is accrued back to June, meaning it is part of ending fund balance. Most facility rental revenue received in July is earned in June and therefore it, too, is a part of ending fund balance. The first "new" money received is in the middle of August. Therefore, the LVCVA operates for six weeks off of beginning fund balance. Six weeks of operating expenditures is 12%.

E) Policy Statements – Capital Fund, Economic Reserve

- i. In the wake of the terrorists' attacks in September 2001, room tax saw declines for 16 consecutive months. The declines ranged from a high of 23% to a low of 0.02%. The total dollar amount of loss for the 18-month period was \$18 million, or an average of 10%.
- ii. The LVCVA has a substantial effect on the health of the Las Vegas economy by fulfilling its core mission of bringing visitors to the area. When economic conditions are at their lowest, whether through recession or terrorist attack, the need and demand for the LVCVA to take action to improve visitation is heightened.
- iii. Understanding that the likelihood of such an event recurring is remote by accounting standards, the LVCVA's ability to respond to such a circumstance 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.
- iv. **The LVCVA has established a goal of accumulating 10% of current forecasted room taxes for 12 months as an economic reserve by FY 2015.** The economic reserve is maintained in the capital fund.

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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 ten-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 five-year forecast.

G) Policy Continuation

- i. This policy addresses a broad framework of fiscal oversight for the LVCVA. Much of the guidance is based on historical results which resulted in critical guidance to prepare for future economic contingencies.
- ii. This policy will be reviewed by the Vice-President of Finance no less than annually, and evaluated for compliance in meeting the goals established herein.

AUTHENTICATION: Approved by the Vice President of Finance	November 10, 2009
Approved by the President/CEO	November 10, 2009
Approved by the Board of Directors	November 10, 2009