

**PUEBLO CITY-COUNTY LIBRARY DISTRICT BOARD OF TRUSTEES
MINUTES FOR THE REGULAR MEETING**

May 23, 2013

I. CALL TO ORDER AND ROLL CALL

The regular session of the Pueblo City-County Library District Board of Trustees was called to order at the Barkman Library at 5:33 p.m. by Dr. Philip Mancha in the absence of the President and Vice President. Dr. Mancha also introduced and welcomed Donna Pickman as the newest member of the Board of Trustees and commented on her ability to speak for the needs of the Colorado City area.

Board Members Present: Philip Mancha; Lyndell Gairaud; Roy Miltner; Donna Pickman

Board Members Absent: Marlene Bregar, President; Fredrick Quintana, Vice President; Jim Stuart

Attorney Present: Nicholas Gradisar

Staff Present: Jon Walker, Executive Director; Chris Brogan, Chief Financial Officer; Steven Antonuccio, Barkman Library Manager; Teresa Valenti, Technical Services & Collection Development Director; Sara Rose, Human Resources Director; Michael Cox, Public Services Director; others not recorded

Others Present: Mary Simmons, Friends of the Library; Wendy Swanhorst, Swanhorst & Company, LLC

II. CORRECTIONS AND MODIFICATIONS TO ADENDA Mr. Walker requested the addition of an Executive Session as item VII.B.5.

III. APPROVAL OF THE MINUTES

Dr. Mancha said the Minutes of the Library Board Work Session held on April 9, 2013 and Minutes of the Regular Library Board meeting held on April 18, 2013 were provided to Board members prior to the meeting.

Ms. Gairaud made a Motion, seconded by Mr. Miltner, to approve the Minutes of the Library Board Work Session held on April 9, 2013. The minutes were approved by unanimous consent.

Ms. Gairaud made a Motion, seconded by Mr. Miltner, to approve the Minutes of the Regular Board meeting held on April 18, 2013. The minutes were approved by unanimous consent.

IV. REPORTS

A. Executive Director Report

Mr. Walker thanked Dr. Mancha for chairing the meeting, and pointed out that the Board has the printed report in their packets. Mr. Walker then introduced Steve Antonuccio, Barkman Library Manager, to report on the Barkman Library.

Mr. Antonuccio thanked the Board for meeting at Barkman and commented on the dramatic changes resulting from the recent Library Enhancement Project. Benefits included improved wheelchair access and better use of the limited space available. Customers notice the skylight that has been there since Barkman opened, but was overshadowed by the large service desk.

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Mr. Antonuccio said a computer carousel was added. Last month Barkman had the highest percentage of self-checkouts, and he credited the staff and customers for adapting to the new customer service model. Mr. Antonuccio also commented that the December-January timeframe was well planned, and the library is now ready for increased use during the Summer Reading program.

Dr. Mancha thanked Mr. Antonuccio for his hard work and making the project a success. Mr. Walker said the Board could see Barkman's enthusiasm which explains why they are the top adopters of the new service model.

Mr. Walker then invited Teresa Valenti to talk about eBooks.

Ms. Valenti provided a presentation on the state of eBooks at PCCLD showing the library spends 15% of the materials budget on eContent with 5% of circulation from eContent. There was then an extensive review of variables affecting the eBook collection including demand, publishers, compatibility issues, competition among vendors, comparisons with other libraries, and constant change.

Ms. Valenti showed the increase in use, quoted several articles and Pew studies, and explained that the library's eBook collection is still a new collection being built up over time and subject to rapid change in technology as well as marketing.

The presentation led to a lengthy discussion about the relationship between publishers and public libraries as well as cost differences and availability of free eContent and its impact on libraries. The discussion concluded with the importance of libraries remaining flexible to adapt to changes in order to remain relevant.

B. Friends of the Library Report

Mary Simmons said the Friends had a full agenda, but she would limit the report to Books Again, the Friends' commitment to the Pueblo Library Foundation, and the Friends' membership goals.

Ms. Simmons said Books Again is on pace to match last year's revenue, and the Friends are unsure how eBooks will impact the book store. The Book Sale was up 20%, which is significant because the budget passed by the Friends in May intends to continue to support library projects at the same level as it has in the past. The Friends also intend to begin chipping away at its commitment to the Pueblo Library Foundation in order to pay it off two years early, so the success of Books Again is important to meet those goals.

Ms. Simmons said membership is the Friend's second source of revenue, and it hopes to reach 1,000 memberships this year. That is a challenging goal with current membership just below 800, which means they are looking for a 20% increase. Ms. Simmons invited the help of the Board and staff in urging membership to the Friends of the Library. Memberships represent income and also become a source of customers and volunteers for Books Again.

Ms. Simmons added a quick word about the Annual Meeting, and said the Board's attendance and support means so much to the Friends as they work to meet the goals of supporting the library and enhancing literacy in the community. Ms. Simmons also announced that the Friends are excited to have a verbal commitment from the guest for next year's Annual Meeting. Ms. Simmons then offered to respond to any questions.

Ms. Gairaud commented that the Annual Meeting was a terrific event, and it was a pleasure to attend. Dr. Mancha commented that he is a member and encouraged all Trustees to become members.

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C. Pueblo Library Foundation Report None

D. Attorney's Report None

E. Financial Report

Dr. Mancha said the Board is asked to ratify the April 2013 bills and accept the April 2013 Fund Statements. Chris Brogan, Chief Financial Officer, provided a detailed report.

Ms. Brogan said the combined balance sheet has final numbers based on the audit of the 2012 Financial Statements. The major change was to General Fixed Assets which increased by \$479,368, due primarily to construction in progress on the new library buildings. There was also a \$39,500 transfer made from the Chamberlain Fund into the Capital Project Fund, and transfers will continue until \$45,000 has been contributed to the building fund.

Ms. Brogan said the target percentage for the end of April is 33%. In revenues, property tax was at 29%, specific ownership at 22%, and total revenue 28% collected.

Expenses were 28% spent. Personnel was 31% spent, and Ms. Brogan pointed out a \$744 workers compensation credit which was a refund check received from the pool, which does not happen often. Materials were 30% spent, with bills coming in regularly. Facilities was 14% spent, but in May the library made the semi-annual debt service payment so that category will increase next month. Operating was 25% spent, and Information Technology was 49% spent.

In the Capital Project Fund, total revenues were 181% collected, which included \$39,500 from the Chamberlain Fund, \$300,000 transferred in from the General Fund as budgeted (a million dollars more will be transferred this year), and some gifts and interest income. Ms. Brogan said they had been spending from the General Fund for some construction costs, so those can be reimbursed. Expenditures included \$49,442 for the new building projects, the \$2,499 credit was an entry to correct a March charge that should have been in Special Collections, and \$397,875 for the Library Enhancement project. Expenditures were 22% spent which totaled \$447,317.

In Other Funds, Ms. Brogan pointed out the \$39,500 deducted from the Chamberlain Fund for the building project, and the library will keep the fund open for it to continue to receive money after the \$45,000 total commitment has been made to the building projects.

Ms. Brogan pointed out the \$237,022.15 payment to H.W. Houston Construction for the Library Enhancement project, and explained it does not include the 10% retainage held back to make sure everything has been completed. The entire project cost of \$265,000 is on budget.

Dr. Mancha asked about the variance in technology, and Ms. Brogan said that includes telephone bills and Internet. The library will get some of that back from E-Rate, but most of the variance is a result of the Sirsi contract which is paid early in the year.

Ms. Brogan pointed out the amounts presented for the Board's approval: ACH payments of \$269,997.46 (which included the final payment to RFID Solutions of \$158,738), Payables of \$582,217.19, and Payroll of \$197,416.53 for a total of \$1,049,611.18.

Ms. Gairaud made a Motion, seconded by Ms. Pickman, that the Board approve the April 2013 bills and accept the April 2013 Fund Statement as contained in the May 23, 2013 Board materials. There being no further discussion, MOTION CARRIED 4-0 (with all Trustees present voting).

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III. PUBLIC COMMENT None

VI. OLD BUSINESS None

VII. NEW BUSINESS

A. Announcements

- All library locations will be closed on Monday, May 27 for Memorial Day.
- The Pueblo Library Foundation will host Libraries for Life events to introduce plans for three new libraries. Board members were encouraged to attend and invite others to attend the following events:
 - o Tuesday, June 11 at 12:00 noon – Risley Middle School, 625 N. Monument Ave.
 - o Tuesday, August 6 at 12:00 noon – El Pueblo Youth Center, One El Pueblo Ranch Way
- The next regular Trustee Work Session is scheduled for Tuesday, June 11 at 3:00 p.m. in the Ryals Room at the Rawlings Library.
- The next regular Trustee meeting is scheduled on Tuesday, June 18 at 5:30 p.m. at the Pueblo West Library at 298 South Joe Martinez Boulevard.
- ALA Annual Meeting will be held June 28 through July 2 in Chicago. Registration is due before June 21. Contact Jane Carlsen at 562-5633 to make plans to attend.
- The Summer Reading Club *Dig Into Reading* for children, *Beneath the Surface* for teens, and *Groundbreaking Reads* for adults runs from June 4 to August 13.
- Mark your calendars for the CAL Conference on October 17-19 in Loveland, Colorado. Deadline for room reservations is September 15. Dr. Mancha encouraged new Trustees to make plans to attend.
- Mr. Miltner announced that Books Again will be open on Memorial Day from 10:00 a.m. to 1:00 p.m.

B. Action/Discussion Items

1. Financial Auditor Selection

Dr. Mancha said PCCLD has requested proposals from qualified certified public accountants to audit its financial statements for the fiscal year ending December 31, 2013, with the option of renewing the engagement for the audit for each of the four subsequent fiscal years. An update was presented at the May 14 Work Session. The Audit Committee reviewed the proposals and met to prepare a recommendation.

Mr. Miltner said one of the proposals was from Swanhorst & Co., LLC, which has been the auditor for the past five years. After reviewing the three proposals, the Audit Committee felt there was not a significant difference in the proposals presented by the other two firms, and the Audit Committee is recommending that Swanhorst & Co., LLC be approved for another year.

Dr. Mancha said the Audit Committee also found that other library districts and governmental agencies have used the same auditor for a much longer period, and it is not uncommon to use the same auditor longer than five years. Dr. Mancha added that there is no requirement to change and noted the Board has had good cooperation from Swanhorst. They have been willing to come in to meet with the Board to answer questions and explain things, and the library has been very satisfied with them, so there was no impetus to change in 2013. Mr. Walker also pointed out the cost of \$23,000 was the lowest proposal as well, although that was not the sole reason for the Audit Committee's recommendation. The library continues to have the

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option to renew one year at a time, and the Audit Committee decided it was reasonable to stay with Swanhorst in this case, even if the library continues to renew using the same auditor for ten years.

Ms. Pickman said her agency has used the same auditor for 15 years, and she finds it great to have that history and help. It was also pointed out that the bid request asked firms to project costs over the next five years, and Swanhorst was the lowest.

Ms. Pickman made a Motion, seconded by Ms. Gairaud, that the Board approve the recommendation of the Audit Committee and select Swanhorst & Co., LLC to audit the library's financial statements for the fiscal year ending December 31, 2013.

There being no further discussion, MOTION CARRIED 4-0 (with all Trustees present voting).

2. Employee Health Benefit Package

Dr. Mancha said the current employee health benefit package approved by the Board will end June 30, 2013. A recommended benefit package renewal commencing July 1, 2013 and ending December 31, 2014 was presented and discussed in detail at the Board Work Session on May 14. The total cost of the Health Benefit package over the 18-month term is expected to be \$698,197 based on anticipated enrollments. The Trustees are asked to take action to approve this expenditure because it exceeds \$25,000.

Mr. Miltner noted that the Board was very surprised there was not a larger increase.

Mr. Miltner made a Motion, seconded by Ms. Pickman, that the Board approve the 2013-2014 Health Insurance Benefit package at a total 18-month plan cost of \$698,197.

There being no further discussion, MOTION CARRIED 4-0 (with all Trustees present voting).

3. Post-Issuance Compliance Policy

Dr. Mancha said due to PCCLD's recent issue of Certificates of Participation to help finance upcoming capital improvements, it is recommended that the Library District adopt a policy to ensure compliance with federal tax law and maintenance of best financial position with regard to exemption from federal income tax and qualification for any refundable credit or other payments from the federal government. The proposed policy and procedures were discussed at the May 14 Work Session.

Dr. Mancha pointed out that the Board would only be approving the one-page policy, and not the several pages of procedure.

Ms. Gairaud made a Motion, seconded by Ms. Pickman, that the Board adopt the Post-Issuance Compliance policy.

There being no further discussion, MOTION CARRIED 4-0 (with all Trustees present voting).

4. Auditor Report

Dr. Mancha said Wendy Swanhorst from the Library's auditing firm, Swanhorst & Co., LLC, will present the 2012 Audit Report to the Trustees.

Ms. Brogan distributed copies of the Comprehensive Annual Financial Report for the year ended December 31, 2012. It was noted that this year the report was presented

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directly to the Board rather than to the Audit Committee. Ms. Swanhorst provided a copy of the management letter to the Board of Trustees which states the report was prepared by library staff, and the audit reflects that the numbers are fairly stated in all material respects. This is a clean, unqualified opinion. Ms. Swanhorst added that the auditor's job is to identify deficiencies in internal controls, and they did not find anything that rises to that level.

Ms. Swanhorst said the only recommendation was in systems, and the auditor uses an IT consultant to identify where they see risk. The library put in a new system, and the circulation system needs some enhancements so the reports can be reconciled with the cash, and a lengthy memo was provided separately. That was the only thing mentioned in the management letter.

Dr. Mancha suggested that it would be helpful that any letter given to a department should be given to the Board, and Ms. Brogan said she had copies for the Board that she would send. Dr. Mancha said if there are problems, it is the Board's job to see that staff resolves those. Mr. Walker said during the Library's Enhancement Project, new equipment was installed which was tied to the circulation system, and fines and fees are now going into that system, which lowers the threshold of risk. Mr. Walker explained that the accounting system generates reports which are provided to the Finance office, and they are working to insure that the reports and the cash coming into the machines can be reconciled, which is a matter of implementation. Mr. Walker said the library did some groundbreaking work trying to handle the cash and credit transactions for fines and fees at a high level. Cash registers are still used for small sale items such as USB drives and book bags, but ultimately they would like to eliminate those. The reports required some development work, and the Board should take some pride in pushing this forward. Mr. Walker said he would keep the Board apprised of the reconciliation process between the reports and cash, and he is confident those issues will be resolved. Ms. Pickman asked how much money comes in through fines and fees, and Mr. Walker estimated about \$150,000.

Dr. Mancha hears that it is a clean bill of health for the entire institution. Ms. Swanhorst agreed, and said in a nutshell, the issuance of the new debt and the debt that was paid off were such large transactions, those overshadowed everything else. Financially, the library district looks good.

Mr. Walker said one of the things Ms. Swanhorst discussed with the Audit Committee was the role of the auditor and the philosophy behind that, and he encouraged Ms. Swanhorst to address that with the entire Board. Ms. Swanhorst said the audit process is done in two sections; the interim work which is followed by a look at the final numbers when the auditors test the systems and internal controls to identify higher risk or if internal controls are not as strong. Ms. Swanhorst said the auditors will audit areas of risk. For example, in payroll they will ask about the internal controls, then they will test a few to see if they find any exceptions. The smallest test would be about 20-25 transactions, but if they find exceptions, they would look further and sample more transactions. Ms. Swanhorst said that 90% of fraud is not detected by the auditor, instead, the auditor tests the controls that would detect errors or fraud. Ms. Swanhorst said the auditor's role is to check the system to make sure there are controls to make sure that money actually went into the bank, and the auditor can determine if the right controls are not in place to reconcile internally to detect that something happened—either an error or missing money.

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Mr. Miltner asked how the auditor works with the budget, and Ms. Swanhorst said the auditor only makes sure the budget used is the one approved by the Board. If the library spent more than the Board approved, it would be identified in the audit.

Ms. Pickman made a Motion, seconded by Mr. Miltner, that the Board of Trustees accept the 2012 Audit Report.

There being no further discussion, MOTION CARRIED 4-0 (with all Trustees present voting).

5. Executive Session

Mr. Gradisar suggested the Trustees enter into Executive Session for the purpose of discussing matters that may be subject to negotiations, development of strategy for negotiations and instruction to negotiators pursuant to C.R.S. 24-6-402(4)(e).

Mr. Miltner made a Motion, seconded by Ms. Gairaud, to enter into Executive Session for the purpose of discussing matters that may be subject to negotiations, development of strategy for negotiations and instruction to negotiators pursuant to C.R.S. 24-6-402(4)(e). There being no further discussion, MOTION CARRIED 4-0 (with all Trustees present voting). The public was excused at approximately 6:55 p.m.

The Board reconvened in public at 7:27 p.m. upon Motion made by Mr. Miltner, seconded by Ms. Gairaud, and MOTION CARRIED 4-0 (with all Trustees present voting).

Dr. Mancha opened the floor for any business to be undertaken as a result of the discussion held in Executive Session.

Ms. Pickman made a Motion, seconded by Ms. Gairaud, to authorize the Board President to sign a Third Extension Agreement to Transfer Real Property for the Greenhorn Valley Library to extend the closing to June 24, 2013.

There being no further discussion, MOTION CARRIED 4-0 (with all Trustees present voting).

VIII. ADJOURNMENT There being no further business, Mr. Miltner made a Motion to adjourn the meeting at 7:29 p.m.

Respectfully submitted,

Jane Carlsen
Secretary