

**PUEBLO CITY-COUNTY LIBRARY DISTRICT BOARD OF TRUSTEES  
WORK SESSION MINUTES**

**August 14, 2018**

**I. CALL TO ORDER AND ROLL CALL**

Ms. Martinez, President, called the meeting to order at 3:00 p.m. in the Ryals Room on the 4<sup>th</sup> floor of the Rawlings Library.

Board Members Present: Doreen Martinez, President; Fredrick Quintana, Vice President; Marlene Bregar (participating by phone); Lyndell Gairaud; Stephanie Garcia; Jim Stuart

Board Members Absent: Philip Mancha

Attorney Present: Nicholas Gradisar

Staff Present: Jon Walker, Executive Director; Sherri Baca, Chief Financial Officer; Midori Clark, Community Relations/Development/Strategic Initiatives Director; others not recorded

**II. CORRECTIONS OR MODIFICATIONS TO THE AGENDA**

Ms. Bregar said she would have a brief announcement following the Pueblo Urban Renewal Authority (PURA) meeting held earlier today which was added as Item III.F.

**III. DISCUSSION ITEMS**

**A. Report from Xcel Energy**

Ms. Martinez said representatives from Xcel Energy would provide a report for the Trustees' consideration and discussion.

Ashley Valdez, Xcel Energy Area Manager for Southern Colorado, discussed an energy initiative Xcel Energy is doing. She provided some background about Xcel Energy which provides utilities in eight states, has 3,609 employees, and 1.4 million customers. She then broke down the numbers for gas and electric customers, noting Xcel is the largest utility in the state. In Pueblo, Xcel only provides gas, but does provide electricity.

Xcel presented the roadmap of where they want to go with renewable energy to the Public Utilities Commission (PUC), and asked permission to go back and see if it could save customers some money, help the environment, and boost the economy. The PUC is now considering it. Xcel received 430 bids on all things energy-related, which was a record number of bids, and shows this is very much on the minds of energy developers.

Ms. Valdez said Xcel is looking to add three solar farms in Pueblo. Xcel currently has a 150 megawatt solar farm, and it is proposing to provide over 500 megawatts, in addition to adding wind in other areas of the state to produce power. However, the sun does not always shine, and the wind does not always blow, but technology has come a long way, and Xcel is now proposing storage of power via 275 megawatts of battery storage. In Xcel's proposal it stressed the importance of being able to do this without raising customer rates, and they were surprised to find the costs were lower than anticipated for renewable energy. Renewable energy is becoming a choice for customers where it is affordable and makes sense.

As an economic driver, Xcel has wind farms in several places that will come online in October, which will put money into those communities from lease agreements the landowners receive. The CU-Leeds School of Business has studied the economic benefit which showed the impact is highest in the first five years with almost 2,000 jobs statewide adding an extra \$203.6 million to Colorado GDP. In Pueblo County, they expect to have 500 jobs during the first few years which will add \$44 million to the local economy. The long-term impact will have 549 more jobs in Colorado including 133 in Pueblo County, increasing real GDP and disposable income statewide and in Pueblo County. The net job growth in Pueblo County is expected to be 109 jobs a year, increasing the tax base despite coal plant retirements.

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She said in order to do this Xcel will have to open up some capacity, and it is proposing closing Comanche 1 and 2, which is ten years earlier than contracted, and use the existing infrastructure. Ms. Valdez said it would not be closing out at this point, but trading out fuels. Solar is cheaper than burning coal with coal costing about 6-7¢ per kilowatt hour, and solar costing 3-4¢ per kilowatt hour.

Ms. Valdez listed parties to the agreement and local supporters. Ms. Valdez said it would be a joint effort. Xcel will still use independent power providers, and Xcel would own some. Ms. Valdez emphasized Xcel's care for the communities in which it operates, and she reviewed some of the partnerships she has approached for support such as PEDCO, Chambers of Commerce, Pueblo County Commissioners. They have been discussing how it will affect the community and working to mitigate any negative impacts. The biggest question is about Evraz, which is Xcel's largest industrial customer. Ms. Valdez said Xcel would keep Comanche 3 open which produces more than Comanche 1 and 2 combined. They have been meeting with Evraz to make sure everything Xcel is doing is a viable option for them, and those discussions are going well, and she expects an announcement soon. Another concern is about the 80 employees of Comanche 1 and 2 which will not be decommissioned until the early 2020s. Xcel expects to manage those through attritions and transfers, and Xcel also offers a robust tuition reimbursement benefit for those who want to train for new careers. Xcel is talking with the IBEW about its contract with the workers, and it is developing a program with Pueblo Community College to train employees for renewable energy.

PUC will be considering this and is expected to make a decision in the first part of September. Ms. Valdez offered to respond to any questions and indicated she continues to seek letters of support to the PUC because they recognize the shift will have a big impact. Ms. Valdez expects the library district will be receiving more funding when these things are in place. Pueblo County hopes to be in a better position, even taking out Comanche 1 and 2. Ms. Valdez said there is an electronic template she would be happy to provide to help the Board work through the process.

Mr. Walker said he endorses this because the Library District's resources come from property taxes, and it is really the net increase in property valuation replacing it with the investments in solar generation, battery and transmission in Pueblo County that has his attention. That is why he believes it is good for the library from a financial revenue perspective.

Ms. Martinez asked Ms. Valdez to repeat the power to be generated on the solar farm. Currently 120 megawatts are produced, and with the three combined Xcel will be able to produce 550 megawatts. The energy could also be stored to have it ready which is a game changer. Ms. Valdez said as a lifelong resident, she believes Pueblo is the best community in the state, and we have the opportunity to shift the paradigm and make Pueblo the renewable energy hub in the state as well as in the west. We have an opportunity to make Pueblo shine. Ms. Valdez said she expects ancillary businesses will follow as well as manufacturing growth. On Xcel's wind farms there are 300 wind turbines that were made in Pueblo.

*(Discussed near the end of the meeting.)*

Ms. Garcia had attended the City Council meeting where the Xcel proposal was discussed, and Council seemed to have a "prove it" attitude because it is feeling burned by Black Hills. The Chamber's concern was Evraz, so she was glad to hear there may be an agreement. The Latino Chamber chose not to sign off on Xcel's template, but modified it because there were too many variables. Ms. Garcia said Xcel also represented to City Council that the Library had signed off, and Mr. Walker said he wrote a letter of support, but it was not on behalf of the Library Board.

There was additional discussion of the benefits and history involving Black Hills and Xcel Energy as well as concern that Xcel will be able to do what it says it will do.

Mr. Quintana said he appreciates the information and wants more. He suggested this be placed on the next meeting agenda. It is important for the Library Board take a position, even if it does not coordinate with Xcel's position and timing. He would like to see what they have in that formal letter to see if the Board wants to edit it. Ms. Garcia said she will share what she hears from the Chamber. There was a sense that the Board can support green energy and job development without putting out Xcel's facts.

Mr. Gradisar added information regarding Xcel's contracts for water, and he is sure the Water Board could not just let them off without paying because of the amount of money. A month or so ago, Evraz was

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reaching an agreement that would meet their energy needs with fixed rates so it knows what its costs will be, and there may be a big energy field on CF&I property.

Ms. Garcia commented that when Al Gurule installed solar panels, Black Hills uses the days when he does not produce energy to fix his rate, so he feels they charge him to use his own energy.

When Xcel put out their proposal, the battery storage went far beyond what had been anticipated. Battery storage technology has changed dramatically. Mr. Walker will put together a packet of information, and he will also work with Chris Markuson with the City. Because of Black Hills, he is not surprised City Council is looking at it carefully. Regardless of what Pueblo does, the Black Hills plant has been built and will have to be paid for.

The discussion will be added to the August meeting agenda.

### **B. All Pueblo Reads**

Ms. Martinez said Midori Clark would provide a report on plans for 2018 All Pueblo Reads.

Ms. Clark announced the kickoff for All Pueblo Reads will be on Friday, October 5. This year will feature the first book in the Longmire series, *The Cold Dish* by author Craig Johnson who lives in Wyoming. The university has also contracted him, and the author will be here for the Booklovers Black Tie Ball on Friday, October 26. There is also a TV series based on the Longmire books which is now on Netflix, and one of the stars of the series is Lou Diamond Phillips who will also be at the Black Tie Ball. Ms. Clark expects the appearance by both the author and the star of the series will drive ticket sales. There are only six tickets available for the celebrity table at \$250 each, preferred seating is \$100, regular tickets are \$80, and \$75 for members of the Friends of the Library until September 28. After that, all tickets will be \$100.

The children's book will be *Bad News for Outlaws* by Vaunda Micheaux Nelson which is a nonfiction story of an African-American sheriff. The author visit to the library will be similar to Read Out Loud programs with three programs offered over two days, and schools will be invited to apply for bus scholarships.

This year's All Pueblo Reads has 162 events and activities planned.

Ms. Martinez asked the grade level for the children's book, and Ms. Clark responded 3<sup>rd</sup> and 4<sup>th</sup> grade, but it is beautifully illustrated and would be a good read aloud book for younger children as well.

Ms. Clark said "Save the Date" cards will be going out soon, and she believes it will be a sell-out for the Booklovers Black Tie Ball this year.

### **C. Financial Internal Controls**

Ms. Martinez said Sherri Baca would report on financial internal controls.

Ms. Baca distributed COSO (Committee of Sponsoring Organizations) Internal Control—Integrated Framework Principles information. Ms. Baca said the presentation to the Board was a suggestion from the Audit Committee because internal controls are integral to the audit. Internal control is not just Finance, because IT and Human Resources and even Board members all have a role. Ms. Baca defined internal control as the combination of people, policies and procedures that managers rely upon to be able to provide a positive response the questions: "Are we operating effectively and efficiently and safeguarding our assets?"; "Do we know that financial statements can be relied upon?"; and "Are we complying with applicable laws, regulations and policies?"

Ms. Baca said the primary responsibility for internal control rests with management, but the governing body has ultimate responsibility. Ms. Baca said the Board has oversight of management, and if Board members hear about any risk they are within their realm of responsibility to look into it.

The Audit Committee interacts with the audit to make sure financial reports are reliable and comply with laws and standards, and during meetings internal controls are discussed in detail, particularly during the annual audit.

Ms. Baca said the auditor does not set our internal controls, but they rely on our controls to support the fair presentation of the financial statements. The auditors cannot be involved in the design or operation of the internal controls because it would compromise the auditor's independence. The auditors will test the internal controls and assess their adequacy. They will then report any deficiencies to the governing body.

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COSO is an internal control collaborative organization of accountant groups established in 1992 that introduced the internal control framework. Ms. Baca explained there is a price for internal controls, and there is a point of diminishing returns when the costs outweigh the risk. Ms. Baca said “reasonable assurance” is the goal to make sure assets are not diverted. There are five different ways to create a framework of internal controls. A favorable control environment is one in which there is a commitment to integrity, violations are not acceptable, and management sets the tone at the top which should be felt by every employee. Risk assessment identifies where controls are needed, keeping alert to fraud as a separate risk factor, and identifying changes, particularly personnel changes in management. Control activities stop errors, prevent fraud, and keeps everyone alert to errors or fraud before it happens. Another example is segregation of incompatible duties, so one person cannot take the cash and record it without someone else to double check. Information and Communication involves IT because the library has a lot of sensitive information to protect, and IT creates firewalls and vulnerability testing. Also, Human Resources holds information on personnel and applicants. Ongoing monitoring is double checking, and the auditor is also checking.

Ms. Baca referred to the back of the handout which is a page from GASB’s *An Elected Official’s Guide to Auditing* which also refers to the framework of internal controls. Another easy way to think about internal controls is the proper authorization of transactions, proper design of design of records, maintenance of security over assets and records, periodic reconciliation of accounting records, segregation of incompatible duties, periodic verification of the underlying facts reflected in accounting records, and the regular analytical review of accounting data. As an example, Ms. Baca will often compare percentages with the previous year to make sure it was similar or there is a reason if it is not.

Ms. Baca understands internal controls may seem bland until something goes wrong. The key is even the best designed system of internal controls is likely to fail in an unfavorable control environment, so how we all look at and maintain internal control is a key to our success. Ms. Baca said it is important to create a spirit of being good stewards of the library’s assets.

The Board discussed the importance of setting the tone at the top, how employees have come together to economize which was greatly appreciated, and whether there is a process in place that allows employees to bring concerns to management. Ms. Baca commented on continuous training and management’s accessibility. Mr. Quintana encouraged management to continue developing processes for employees to bring concerns to management.

### **D. Audit Committee**

Ms. Martinez said the Board of Trustee Audit Committee would provide an update report on the Financial Auditor selection process.

Mr. Stuart reported that the Audit Committee met and reviewed six proposals from highly qualified firms, with staff size from 8 to 170, most were regional, and all were good. Ms. Baca put together a scoring sheet for them to use. The Audit Committee will meet on Thursday, August 16, to interview two of those firms. Any one of the six could have done an excellent job, but the scores narrowed it down to two. Everyone on the committee was pleased with the quality of the audit firms from as far away as Grand Junction and as nearby as Colorado Springs, with no local firms bidding. The costs were all within a couple of thousand dollars of each other after taking out the highest and lowest.

Mr. Stuart expects to have a recommendation at the next meeting to do the audit,-which will be-renewable for five years. Mr. Stuart thanked Ms. Baca for doing a thorough job of helping the committee members make the selection. Sometimes it is not just the quality of the auditor but a matter of how it is to work with them, and that is where the interviews will come in.

Ms. Martinez thanked the Audit Committee and Ms. Baca for making the audit selection so streamlined. The auditor selection will be added to the August meeting agenda.

### **E. Annual Planning Retreat**

Ms. Martinez said the 2019 PCCLD Annual Planning Retreat is scheduled for Thursday, September 6. The retreat serves as an opportunity to review the current state of the institution and seek ideas for continuing PCCLD’s positive development in the coming year. This is an all-day affair, which will take

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place at the Mountain Park Environmental Center in Beulah starting at 8:30 a.m. The program is open to all Trustees as well as certain other invited guests, and reservations may be made by contacting Jane Carlsen. Ms. Martinez encouraged everyone to attend.

### **F. Pueblo Urban Renewal Authority (PURA) Update**

Ms. Bregar said PURA will be inviting the Library Board to an informal meeting to be held in the next three weeks on a very limited TIF (Tax Increment Financing) area. Ms. Bregar said it does not pertain to the East Side ball field, but she was not yet at liberty to disclose further details. Ms. Bregar said the TIF is very limited in scope with quite a few organizations and entities involved in the project. PURA will be asking the Board to attend this meeting and will be asking the Board to take action.

*(The Board returned to the discussion of the Xcel request, and that discussion is included with III.A.)*

Prior to adjourning, Ms. Martinez said Dustin Hodge, Paul Plinske from CSU-Pueblo, and she had the opportunity to judge the Kids Day Parade on August 11. It was a lot of fun and continued the theme of the Summer Reading program.

### **IV. ADJOURNMENT**

Ms. Martinez reminded Trustees that the Regular Board meeting would be held on Thursday, August 23, at 5:30 p.m. at the Pueblo West Library, 298 South Joe Martinez Boulevard.

There being no further discussion, the Work Session adjourned at 4:34 p.m.

Respectfully submitted,

Jane Carlsen  
Secretary