

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

August 23, 2018

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 Pueblo West Library at 5:31 p.m. by President Doreen Martinez.

Board Members Present: Doreen Martinez, President; Fredrick Quintana, Vice President; Lyndell Gairaud; Stephanie Garcia; Philip Mancha; Jim Stuart

Board Members Absent: Marlene Bregar

Staff Present: Jon Walker, Executive Director; Sherri Baca, Chief Financial Officer; Diann Logie, Lucero Library Manager; Charles Hutchins, Information Technology Director; others not recorded.

Attorney Present: Nicholas Gradisar

II. CORRECTIONS AND MODIFICATIONS TO ADENDA None

III. APPROVAL OF THE MINUTES

Ms. Martinez said the Minutes of the Library Board Work Session held on July 17, 2018 and Minutes of the Regular Library Board meeting held on July 26, 2018 were provided to Board members prior to the meeting.

Ms. Gairaud made a Motion, seconded by Dr. Mancha, to approve the Minutes of the Library Board Work Session held on July 17, 2018 and the Minutes of the Regular Library Board meeting held on July 26, 2018. The minutes were approved by unanimous consent.

IV. REPORTS

A. Executive Director Report

Mr. Walker updated the Board on recent meetings of the legislative committee tasked with studying issues with the Gallagher Amendment, particularly with respect to local governments as it pertains to property tax revenue. Mr. Walker said Ms. Martinez and Dr. Mancha also sat in, and there was a lot of good information. The committee discussed five pieces of legislation they would like to have staff draft and study, but it does not mean they will recommend all five, or that the legislature will adopt the legislation or be signed by the Governor. The legislators have a good understanding of the issue. These are the five pieces of legislation they agreed to have drafted.

1. Repeal the Gallagher Amendment. This could be done by the legislative body to authorize a vote of the people. This only requires fifty percent to pass because it is a repeal and not an amendment. If they do that, the draft legislation would leave the current ratios that are in place now.
2. Treat short-term renters (such as Airbnb) as commercial rather than residential. The reason that is important is moving them would have the impact of maintaining a higher ratio for residential in the end. They do not know how much is out there yet, but what is interesting is it only takes legislative work to reclassify a certain class of property.
3. Draft a bill from committee to set the next RAR (Residential Assessment Ratio). The legislature sets the RAR wherever it wants, although it gets recommendations from staff based on their interpretation of the Gallagher Amendment rules. There is some thought that it will be recommended to go to 6.11. Every time they set this, although

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the staff makes a recommendation, the legislature seldom sets it where they recommend. What is interesting is that if they set it a point off from what staff recommend, they risk being sued, and the courts would determine what the calculation should be and would take ownership of setting the RAR.

4. If the RAR goes lower and incomes are impacted negatively, the State would backfill three of them, and the three local governments they chose were Fire Districts, Water Districts and Library Districts. Mr. Walker commented that this would be a huge change in how the State treats library districts, but he questioned how that had worked for the school districts. Ms. Garcia said the State has a formula that takes into account a number of factors, but when the amount is more than the State can afford they take it back down, so it is under their control how much money the district receives. Mr. Walker speculated on the reasons those three were chosen, but there was unanimous support for libraries being included.
5. Put all of the recommended local governments in number 4 above together as one.

Mr. Walker said he was able to talk with legislators when they were in Pueblo, and he was advised to plan conservatively. Mr. Walker is beginning to contemplate what the library will do because this change will happen, and he went to the County Clerk to find out the latest date for a ballot initiative. The deadline is September 7 for this November's election so the Board would have to make that decision right now. Mr. Walker distributed the Projected Budget Impact of the Gallagher Amendment as well as the ballot language provided by Mr. Gradisar earlier this year. The library is beginning to plan the budget for 2019 without knowing where it will be in 2020. The budget projection for 2020 shows a \$750,000 reduction in property tax revenue, which will hit the library hard. Mr. Walker said his recommendation will be to split that reduction between 2019 and 2020 rather than take the \$750,000 hit in one year. He suggested reducing the 2019 budget by \$350,000 which will be about a 3.5% cut from the current year.

Ms. Garcia asked if the bill would be a mill levy override, and Mr. Walker said it calls for an increase in tax collection in order to offset for losses caused by the statewide residential ratio. There was discussion that it is not really a mill levy increase, but it is hard to help voters understand, and TABOR requires that it be worded as a tax increase. Mr. Stuart said a ballot initiative would be a difficult sale when it is still speculation, but once it happens it will be easier to sell. Mr. Walker said there had been only one ballot initiative of this type and it had failed. After additional discussion, it was agreed that rushing out a ballot initiative now would not be viewed positively, and the Board would prefer to pursue a ballot initiative in a more contemplative and planned fashion, perhaps in 2019.

There was additional discussion of competition from other ballot initiatives such as District 60 which has indicated it will keep asking for a mill levy increase. Mr. Walker said he expects to know the RAR by April, and by that time the Board could decide whether a ballot initiative in 2019 is needed. Mr. Walker understands cutting the budget 3.5% will create negative pressures, but those will be done through a collaborative process. It will be easier than cutting 7.5% in a single year. Ms. Baca said the number shown was from the State legislative forecast. A higher valuation could cut the deficit to something lower in 2020. Ms. Baca said if we prepare conservatively, any fund balance becomes savings. Ms. Baca said the numbers for 2019 from the Assessor's office increases the valuation only 0.5% which is about \$48,000 dollars in additional property tax so it would essentially be a flat budget.

Ms. Garcia asked if the Rawlings redesign would be coming from a different funding stream. Mr. Walker responded that he had been hopeful the library would be able to fund half from public money, but he had not yet done the analysis in light of the latest on Gallagher reductions. There was additional discussion on plans for the redesign

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discussions, use of capital fund savings, but unless things change fundraising would be required for the project. Ms. Gairaud said we need to tread very carefully on how we approach the public on changing the space. Ms. Garcia asked if it would also be a time to talk about the challenge, and Mr. Walker responded he would have to think about that.

Mr. Quintana commented on Mr. Walker's optimism and agreed on the need to prepare and budget conservatively. Mr. Quintana suggested putting together a committee to work on how to put this out in 2019 and discussed how Gallagher will hurt what the library is able to provide for the community.

Ms. Garcia asked about where the money to be used for the ball field would be going, and there was a discussion of the list of things that had been identified for using 1A funds. Mr. Walker said the County had approached the library about a community center in the Mesa area using the land around the Giodone Library, and there are also some downtown street-scaping and sport facilities. In terms of the Rawlings redesign project, the library can put together capital funds which are different than operational funds. Mr. Walker also expects to be hearing from Urban Renewal soon on a new TIF request.

Ms. Martinez concluded the discussion saying the Board should move forward with a committee.

B. Friends of the Library Report None

C. Pueblo Library Foundation Report None

D. Attorney Report None

E. Employment Changes

Ms. Martinez said the Board is asked to ratify the July 2018 Employment Changes as presented by the Executive Director.

Mr. Quintana made a Motion, seconded by Mr. Stuart, to ratify the July 2018 Employment Changes as contained in the August 23, 2018 Board materials.

Mr. Stuart noticed that Carol Rooney is again an employee, and Mr. Walker responded that she is helping as a substitute.

There being no further discussion, MOTION CARRIED 5-0.

F. Financial Report

Ms. Martinez said the Board is asked to ratify the July 2018 bills and accept the July 2018 Fund Statements. Sherri Baca, Chief Financial Officer, would be available to answer any questions.

On the Combined Balance Sheet, Ms. Baca said there was nothing unusual, and there is a slight change in the Library Capital Replacement Fund to gear up for capital spending.

In the General Fund, the target percentage for the end of July is 59%. Revenues were 92% collected and is in the bank account to supply cash needed for the rest of the year. Personnel expenses were 57% spent, compared with 55% last year. Ms. Baca explained at the last meeting that Workers Compensation had increased when the library brought security inhouse, and expenses were moved around as a result, but still under target. Material expenses were 56% spent compared with 54% last year. Facilities were 39% spent, compared with 40% last year with not much different from last year. Operating expenses were 60% spent which is slightly ahead, but it was also ahead last year at 68%. Technology was 58% spent compared with 71% last year. Overall expenditures were 53% spent, still under target, compared with 54% last year. The library is consistent, and overall the General Fund is on track.

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In the Capital Fund, money was moved from the General Fund. Activity in July was light, and there are significant cash holdings and interest income. The Library received a grant from the Lamb Foundation which helped pay for the Rawlings Redesign. There was a little money spent for IT projects which qualifies for E-Rate reimbursement. In August there was about \$84,000 spent, but from this point on, they will start considering where money may not have to be spent. Overall the Capital Fund is on track.

The Special Revenue Fund received some interest and a quarterly distribution from the Chamberlain Fund..

The J.T. Nesbitt fiduciary fund shows a typical balance with no problems or concerns.

On the Check Summary Report, Ms. Baca said it is shown in alphabetical order, and, near the end, electronic payments are listed with details shown in the description.

Ms. Baca concluded with amounts presented for the Board's approval which is a little bit different. Totals of paper checks, bill pay, and ACH payments represent total Payables of \$349,851.51 and Payroll of \$372,400.13, for a total of \$722,251.64.

Ms. Baca said there is an addendum showing individual P-Card transaction detail which should total the same as that shown in the check detail for Card Services to UMB Bank. The descriptions are provided by each P-Card holder. There are roughly 45 P-Card holders, and there is a good monitoring system. The report comes straight out of the system, and if the Board likes the format, it will continue.

Ms. Garcia pointed out that the total expenditures in August were as much as the projected loss from the Gallagher Amendment in 2020, costing the library an entire month of expenses.

Mr. Stuart made a Motion, seconded by Dr. Mancha, that the Library Board approve the July 2018 bills and accept the July 2018 Fund Statements as contained in the August 23, 2018 Board materials.

There being no further discussion, MOTION CARRIED 5-0.

V. BOARD COMMENT None

VI. PUBLIC COMMENT None.

VII. OLD BUSINESS None.

VIII. NEW BUSINESS

A. Announcements

- ☐ Humphries Poli Architects will meet with community members on Tuesday August 28, at 8:00 a.m., 11:30 a.m., and 5:30 p.m., and on Wednesday, August 29, at 8:00 a.m. and 11:30 a.m. to discuss future changes to the Rawlings Library. Ms. Martinez said all Board members have signed up to attend a session.
- ☐ All libraries will be closed on Monday, September 3, for Labor Day.
- ☐ The Annual Planning Retreat for 2019 is scheduled on Thursday, September 6, from 9:00 a.m. to 4:30 p.m. at the Mountain Park Environmental Center in Beulah.
- ☐ The Colorado Association of Libraries' Annual Conference will be held September 13-15 at the Embassy Suites in Loveland. PCCLD will be recognized as Library of the Year at a ceremony on Friday, September 14. Board members wishing to attend should contact the Board Secretary to make travel arrangements.

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- ☐ The next regular Work Session is scheduled for Tuesday, September 18, at 3:00 p.m. at the Rawlings Library.
- ☐ The next regular Board meeting is scheduled on Thursday, September 27, at 5:30 p.m. at the Greenhorn Valley Library in Colorado City.
- ☐ All libraries will be closed on Monday, October 8 for Columbus Day. Staff will participate in staff development on this date. Board members are invited to attend at 8:00 a.m. for a staff recognition event announcing employee anniversaries, promotions, and new hires.
- ☐ All Pueblo Reads Black Tie Ball will be held on Friday, October 26. Contact Gloria Madrill at 553-0221 for tickets. Mr. Walker distributed a card that was sent promoting the Black Tie Ball, and tickets are also available online.

B. Action/Discussion Items

1. Financial Auditor Selection

Ms. Martinez said PCCLD requested proposals from qualified certified public accountants to audit its financial statements for fiscal year 2018 with the option of renewing the engagement for each of the four subsequent years. The Board of Trustees' Audit Committee will report on the process and present recommendations.

Mr. Stuart thanked Dr. Mancha, Ms. Bregar, Mr. Walker and especially Ms. Baca and Jeanette Cortez for doing the heavy lifting. The Audit Committee has come to a decision, and he asked Ms. Baca to present how it was all done.

Ms. Baca remarked on the importance of choosing an auditor, and the Audit Committee reviewed best practices for audit committees. Ms. Baca reviewed the RFP timeline and concluded that once the Board approves the Audit Committee's recommendation, the selected firm will be notified August 27 with a contract anticipated by September 15.

Six CPA firms returned proposals, and Ms. Baca reviewed the scoring from each of five raters for each firm and listed each firm's location. Raters worked to rate each of the submissions consistently. Ms. Baca had totaled the points and ranked the total scores from highest (1) to lowest (6). The next line showed the 5-Year Proposal cost. From that ranking two firms stood out as best at the lowest cost: Clifton Larson Allen LLP and Hinkle & Company.

Those firms were asked to bring the one who would have overall responsibility for the audit and the one who would be leading the team onsite to interview. Representatives from each firm responded to 15 questions in 90-minute interviews. Ms. Baca showed the interview scores from each of the raters, and Clifton Larson Allen came to the front in terms of points gathered. Ms. Baca said she checked three references from Clifton Larson Allen, and two from Hinkle & Company, and the reference checks all came back strong for each of the firms. Ms. Baca added the scores for the interviews and the reference checks which clearly pointed to Clifton Allen Larson LLP being the best option for the library.

Ms. Baca said she was really happy about the fact they ranked number 1 in the first phase and continued to rank number 1 in the interview. Ms. Baca said they took them through a robust process.

Ms. Baca reviewed the Audit Committee's recommendation for the Library Board to approve a 1-year contract renewable annually for four additional years and detailed how the costs were broken down for 2018 at a total cost of \$30,520. Ms. Baca said the audit last year cost \$30,500, so there was only a \$20 difference. Ms. Baca

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presented another slide showing the annual costs and increase percentages from 2018 through 2022 for the library and the Foundation.

Mr. Stuart said this will give us fresh eyes, but it will be more work for the Finance team because they will have to put in more time than what they usually do. One of the questions asked during the interview was whether the firm had taken that into consideration, and the response was they had but did not charge the client extra to learn their system. Ms. Baca added that Clifton Larson Allen also conducts the audit for the Arapahoe Library District which has a \$38 million annual budget.

There was additional discussion of the complexity of the process, and Board members expressed appreciation to the committee and for the staff work involved.

Mr. Stuart made a Motion, seconded by Mr. Quintana, authorizing the library to enter into a 1-year contract renewable annually for four additional years (at proposed costs) with Clifton Larson Allen LLP for the 2018 audit and Form 990 at a cost not to exceed \$30,520.

There being no further discussion, MOTION CARRIED 4-0. *(Ms. Garcia had left the meeting prior to this vote)*

2. Preferred Colorado Energy Plan

Ms. Martinez said the Board of Trustees has been asked to consider supporting Xcel's Preferred Colorado Energy Plan.

Mr. Walker said he had sent Board members additional information and a study which was also available in the online Board packet. Mr. Walker distributed an editorial from the *Pueblo Chieftain* stating it is really a positive investment in Pueblo County. There had also been news that Xcel had reached an agreement with Evraz to allow the plan to move forward. Mr. Walker said Ms. Garcia had to leave early for another engagement but left him a note that she was in support of the letter.

The Board had been provided a draft letter prepared by Xcel to the Public Utilities Commission supporting the project, and they will be accepting letters until tomorrow afternoon.

Mr. Walker wrote the number \$9,000,000, which is the amount of property tax collected by the library district and represents about 90% of the library's budget. Mr. Walker then wrote the number \$1,172,455, which is the amount of property tax generated by Xcel's Comanche power plants 1, 2, and 3 combined, which is about 1/9th of the library's property tax revenue. Mr. Walker said most of that is from rate payers in Denver. Mr. Walker then wrote \$1,412,208, which is the amount of property tax that would be generated with the new energy plan proposed by Xcel.

Mr. Walker said the difference was what he had in mind when he wrote his letter of support, and there was additional discussion that the difference is about the amount the library will have to cut from next year's budget, in addition to the benefit of being green. Mr. Stuart said the last number represents almost 15% of the library's budget. Mr. Walker said it also benefits Evraz, and he was speaking with members of City Council and PEDCO who said Evraz is poised to do something big in Pueblo.

Mr. Quintana said he appreciates those numbers, and he is prepared to send the letter with the Library Board's stamp of approval because it is good for Pueblo, the library will see a gain from what they are doing, as well as on a personal level he believes we need to go toward green and renewable energy. Mr. Quintana would recommend that the letter be sent by noon tomorrow.

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Mr. Stuart said he could also support the letter, but he recommended removing the fourth paragraph which states that "Pueblo County would gain more than 500 jobs..." Because that is speculative, he is uneasy about making that statement. Ms. Gairaud agreed and said removing that paragraph still shows the Board's support.

Mr. Stuart made a Motion, seconded by Dr. Mancha, that the Library Board authorize the President of the Library Board to send a letter of support for the Preferred Energy Plan presented without the fourth paragraph.

There being no further discussion, MOTION CARRIED 4-0.

IX. ADJOURNMENT

The meeting adjourned at 7:08 p.m.

Respectfully submitted,

Jane Carlsen
Secretary