

Jefferson County Public Library Board of Trustees
Study Session
February 9, 2017 – 5:30 p.m.
Administration Conference Room

TOPICS:

- Long Term Debt and Fund Balance presentation
- E Vendor RFP Information
- Brand RFP Information
- Security Camera RFP Information

Call to Order

The Study Session was called to order at 5:30 p.m. by Brian DeLaet, Chair.

Other Trustees present: Julia Hill-Nichols (Vice-Chair), John Bodnar (Secretary), Deborah Deal, Kim Johnson and Charles Naumer.

Trustees not present: All Trustees were present

Guests: Jefferson County Budget Office: Dan Conway, Manager of Budget and Marlin McDaniel, Budget Analyst.

Staff present: Pam Nissler, Executive Director; Richard Sosa, Director of Budget & Finance; Sandie Coutts, Director of Employee Relations & Development; Steve Chestnut, Director of Facilities & Construction Projects; Pat Klein, Director of Information Technology; Julianne Rist, Assistant Director of Public Services; Debbi Mikash, Collections Manager; and Amber Fisher, Executive Assistant, Office of the Executive Director.

Request for Additional Topic and Board Authorization

The Executive Director advised the Board that a permitting item related to the Columbine Library Remodel Project had recently come to the Library's attention. The Executive Director asked for the Board's consideration to bring the item before the Board at the meeting.

The Chair addressed the Board and brought forward the Jefferson County Development Permit Application to be included on the agenda. The Board reached consensus to add the item to the meeting agenda.

Columbine Remodel Project – Jefferson County Development Permit Application

Steve Chestnut, Director of Facilities & Construction Projects, advised the Board that the Jefferson County Planning and Zoning Division requires the owner of the property to submit a Development Permit Application for the Columbine Remodel. It is anticipated that the Division will review the project plans related to sidewalk access and traffic flows.

MOTION: Julia Hill-Nichols moved that the Library Board of Trustees authorize the Executive Director to sign the Jefferson County Colorado Planning & Zoning Division Development Permit Application for changes to traffic flows and sidewalk accesses related to the Columbine Library Remodel Project. The permit will authorize Dennis Humphries of Humphries Poli Architects to act as the Library's representative in any manner regarding the application. Seconded by Deborah Deal the motion passed by unanimous vote of all Trustees present.

Long Term Debt and Fund Balance Presentation

Richard Sosa, Director of Budget and Finance, addressed the topic and introduced Dan Conway, Jefferson County Manager of Budget and Marlin McDaniel, Jefferson County Budget Analyst. Richard Sosa advised the Board that the information presented will cover the following areas:

- Component Unit
- Long-term debt historical context
- Current debt conditions
- JC Treasury and Budget
- Constraints and Opportunities
- Fund Balance
- Recommendations
- Discussion and Next Steps

Component Unit

For financial reporting purposes JCPL is a component unit of Jefferson County. Governmental Accounting Standards (GASB) establishes standards for defining and reporting a financial "entity". Entity consists of three situations, (1) the primary government; (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion from financial statements would cause the financial reporting entity's financial statements to be misleading or incomplete.

Financial accountability is defined by four criteria:

1. Board of County Commissioners (BCC) appoints the Library Board of Trustees (Trustees) as the organization's governing body.
2. The BCC has the responsibility to approve a component unit's budget presented by the Trustees and the Trustees determine how the budget is executed through the year.
3. The BCC can establish a component unit's rates, tax levies, or charges.
4. The BCC can approve or modify the issuance of a component unit's debt.

The elected officials of the primary government are financially accountable for the Public Library. The BCC is financially accountable for JCPL and their role in the Library's financial condition is supported by these four criteria that define a component unit that is not financially independent from its primary government. This is the financial landscape used to develop the information being provided to the Trustees.

Long-term debt historical context

In 2004 Jefferson County issued Certificates of Participation (COP) debt for capital facilities and equipment using the County General Fund, collateralized by the Courts and Administration building, and repaid from mill levy increases to the Capital Expense Fund. Refinanced (refunded) in 2013 for \$24,355,000 for 2.39%, and matures in 2024. The Library project included in this debt structure was the Arvada Library (project cost \$8.8 million).

On November 5, 2009 Jefferson County Finance Corporation issued \$67,715,000 in COP's Series 2009 A and B debt, which qualified as Build America Bonds (BAB) with interest rates ranging from 3.1% to 6.25%. This debt was refinanced (refunded) in 2013 with a new maturity date of 2029. County-wide capital projects included expansion of the County Detention Facility Complex; free standing Community Corrections Facility; Laramie Building Data Center and County Work Force and renovation of Court facilities and animal shelter center. A year later JCPL requested funding for capital projects and was added to this debt structure. The Library's major capital projects included in this debt series totaled \$6,886,000. Those projects included the Lakewood Library HVAC, Energy Conservation Projects, Book Sorters and the Library Service Center (LSC) Remodel. All of these capital projects represented significant cost savings and efficiencies and met the most critical needs.

In 2013 the BAB debt was refinanced and included additional debt for capital projects totaling \$995,000. Those projects included the Belmar roof replacement; Columbine HVAC; Columbine parking lot capital repair; and the Standley Lake parking lot capital repair.

Library debt using BAB bonds included the projects outlined above, totaling \$7.2 million. The County maintains one debt service schedule for both of these amounts (same debt instrument). Similar to many governmental entities, the typical process has been to use long term debt to replace and repair deferred capital infrastructure projects, typically wait listed until critical.

From the most current debt service schedules the following is the total of each debt instrument with the Library portion. For both debt instruments the Library shares in the total debt and pays its share of the amounts borrowed through these debt instruments. These debt instruments are County Wide, the Library did not separately agree to individual debt.

Current Debt

Build America Bonds	Principal	Interest	Total
County-wide Debt	\$50,977,010	\$26,121,792	\$77,098,802
Library Portion (Capital Projects)	\$7,192,990	\$1,671,131	\$8,864,121
Total	\$58,170,000	\$27,792,923	\$85,962,923
2013 COP Refunded Series	Principal	Interest	Total
County-wide General Fund COP Debt	\$14,071,973	\$1,556,586	\$15,628,558
Library Debt (Arvada Library)	\$6,043,027	\$920,889	\$6,963,917
Total	\$20,115,000	\$2,477,475	\$22,592,475

Included in the study session materials provided in advance and in the packet provided at the meeting were the debt schedules created for JCPL from County Accounting. The schedules were modified to show the balances remaining as of December 31, 2016. The Library has a total of \$8,353,964 in debt and interest on the totals is \$865,759. The Build American Bonds (BAB) mature in December 2020 and the COP mature December 2024.

Current Context

Build America Bonds	Principal	Interest	Total
Library Portion (Capital Projects)	\$7,192,990	\$1,671,131	\$8,864,121
Paid through 2016	\$4,191,362	\$1,297,804	\$5,489,166
Total Remaining Debt Balance	\$3,001,628	\$373,327	\$3,374,955
2013 COP Refunded Series	Principal	Interest	Total
Library Debt (Arvada Library)	\$6,043,027	\$920,889	\$6,963,917
Paid through 2016	\$1,559,451	\$425,457	\$1,984,908
Total Remaining Debt Balance	\$4,483,576	\$495,432	\$4,979,009

Both debt instruments are Certificates of Participation (COP). A COP is an alternative to a government municipal bond. In a COP investor(s) buy a share in the improvements or infrastructure that the governmental entity intends to fund. COPs are used most typically when a governmental entity has a chartered mandated debit ceiling. COPs are structured debt without voter approval. A COP is a structured Trust Agreement.

Constraints

The long-term debt is initiated and serviced by Jefferson County. Both the BAB and County's General Fund debt are for planned Jefferson County capital and equipment projects. The debt schedule of the COP Trust Agreements is not within the Library's control.

A COP is a certificate executed by a trustee under a trust agreement that acknowledges the owner is entitled to receive a proportionate distribution of the funds received by the Trustee from the rental payments to be made by on behalf of a governmental body (Jefferson County). Similar to a bond issue there are stated serial and term payment dates; specific prepayment options and related primary and secondary market investor disclosure responsibilities under the federal securities laws. The Library is very limited in how it can affect the structure of the debt agreements for both of these debt instruments.

Opportunities

Revenues received in excess of budgeted expenses are added to Library Fund Balance. The Library Board can utilize unreserved and undesignated Fund Balance by formally requesting additional expenditure authority from the Board of County Commissioners through a supplemental budget request process.

Jefferson County Treasury

Debt structure prevents the Library from accelerating debt payments against the County debt instrument. If the Library submits a lump sum payment for future principle and interest payments for long term debt, the County will hold this amount in escrow, most likely in the County General Fund – "Fund Balance" or Capital Projects Fund.

Jefferson County Budget

Jefferson County would continue to make all regularly scheduled debt payments until maturity. JCPL's budget would be established every year to reflect annual P&I payments plus the additional payments JCPL wishes to make. If a budget transfer is to

occur in 2017, the Library Board will need to have approval through a budgetary supplemental request to the Board of County Commissioners. If approved, a transfer from the Library to County General Fund Balance as a County un-budgeted inter-departmental transfer source would occur. The amount would be moved from undesignated unreserved Library Fund Balance and given a transfer object code.

- Any JCPL change to the debt structure is basically a request to refinance the County's debt and bond structure.
- The Library does not have the authority to refinance or prepay the established County debt schedules.
- The Library can use undesignated fund balance to increase their spending authority.
- Increased spending authority is granted by the BCC quarterly.
- A transfer from Library Fund Balance to County General Fund Balance can occur within the year granted.

Fund Balance Recap

COMPREHENSIVE ANNUAL FINANCIAL REPORT YE 2015			
1	ASSETS	\$47,190,600	
2	LIABILITIES	(\$908,700)	
3	DEFERRAL-UNAVAILABLE PROPERTY TAX	(\$33,173,400)	
4	FUND BALANCE - NON SPENDABLE	(\$440,000)	
5	FUND BALANCE - RESTRICTED	0	
6	FUND BALANCE - ASSIGNED BY MGT	(\$12,668,500)	
7	Total Liabilites, Deferred & FB	(\$47,190,600)	

**FUND
BALANCE
BEGINNING
2016**



\$13,108,500

Sample Calculation:

Use \$250,000 each for COP and BAB debt.

Pay off COP 3 years early

Pay off BAB 1.5 years early

Use \$2,250,000 of current year's funds

We save \$252,000 debt interest

We lose \$59,000 in Investment interest

Additional Discussion Points:

- The Director of Budget and Finance would not recommend paying off debt early because the Library will lose the momentum gained by the mill levy to address deferred infrastructure needs
- The Library would also lose the leverage to execute the promises made to the community within our current five and ten year plans.
- Columbine Library renovation / remodel will provide up-to-date cost data to better estimate future projects.
- Library budgeting will improve with better execution and modeling and this will inform the five and ten year planning.
- The Board's Ends Statement (Governance Policies) on stewardship require that finance staff examine the financial position; monthly budget; initiatives and projects planned; 5 and 10 year plan to, and if necessary, recommend requesting lower mill levy.
- Unreserved and Undesignated available for pre-payment of debt should be amounts that exceed the ceiling set by the Library Board.
- At the start of 2017 the Library is under the ceiling because revenue is higher in 2017 to match planned projects on deck this year.
- In 2017 the Library intentionally under spent to hold funds over (\$2.0 million for the Columbine project in 2017; sorter cost; vacancy savings (budget plus potential Edgewater Library expansion; cost savings and efficiencies; and project carryforward that were not expended in 2016.

In response to questions from the Board, the following information was provided by staff and other Trustees:

- The Library's fund balance ceiling is 50% of revenues
- The Library was not \$2.0 million over the ceiling in 2016; the Library was \$200,000 - \$300,000 over the ceiling in 2016
- The 2017 fund balance ceiling is \$17.2 million
- The Library's future capital projects are in the 5-Year plan. Every year the Library's capital projects are included in the budget request for that year.
- The Library's fund balance can be used for capital projects if included in the budget and approved.
- Trustee Johnson is correct; one of the things that are not in the capital budget is anything to address usage pressure in the north – in terms of whether our capital budget is as robust as we need it to be – it probably is not.

There was a wide-ranging discussion on the presentation and its implications. The Trustees were asked to provide specific questions to the Library.

E Vendor RFP Information

Julianne Rist, Assistant Director of Public Services, and Debbi Mikash, Collections Manager presented information on the E Vendor RFP. The Library posted an RFP in September for vendors providing e-content. This process was undertaken in order to be in compliance with the county's finance rules. Six vendors responded to the RFP but only three of them; Cloud Library, OverDrive and Axis 360, had e-content that would fit the needs of our patrons. The purpose of this project is to provide the best value for Jefferson County residents in the provision of e-content: best content, best experience at the best cost. The evaluation team scored bid responses and is recommending that JCPL move to contract with one e-content provider - Axis 360, a Baker and Taylor product. This is a vendor and product that JCPL currently does not use for eMaterials. This decision means that patrons will be transitioned from using Overdrive and Cloud Library (previously 3M) to this new platform. In choosing one vendor, Axis 360, will provide an improved patron experience for several reasons: Improved availability, more content, Improved experience: streamlined searching and browsing, internet and web app; and Improved access: less confusion about where to find content. In addition, by choosing one vendor rather than two, JCPL will save \$23,000 annually in platform fees for each year of the contract beginning in 2018. E-content that is currently owned by JCPL can be moved, with a few exceptions, as long as that vendor also offers that publisher's e-content. When JCPL makes this change we will heavily publicize the benefits to our patrons. We will also prorate our existing vendors' platform fees as Cloud Library's renewal was in November and OverDrive's is in February. The team feels that it will take a minimum of three months to publicize the migration from and implement the transition to a new vendor. The Library will bring this contract before the Board at the February 16, Board Meeting.

Brand RFP Information

Rebecca Winning, Director of Communications, presented information on the Brand RFP. The Library issued an RFP seeking qualified vendors to assist with a 2017 project to codify and align the JCPL brand. This was a key strategic recommendation from the recently completed Communications Audit. The Library was seeking an outside agency with extensive experience and demonstrated success in strengthening and extending strong emotional connections between a brand and its customers. The Library evaluated the responses, conducted interviews and selected Actualize Marketing to assist with the initiative. The funds for this initiative were approved and included in the budget in a not to exceed amount of \$50,000. The Board was advised that the Library anticipates bringing this contract before the Board at the March Board Meeting. After some discussion related to the timing of this initiative and the Bibliocommons initiative, the Board suggested that the Library bring the contract

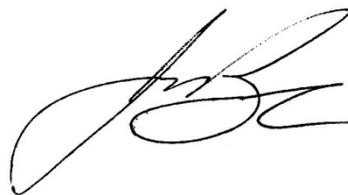
forward at the February 16, 2016 Board meeting and asked that this item be added to the agenda. Amber Fisher will provide the process to amend the agenda.

Security Camera RFP Information

Pat Klein, Director of Information Technology provided information on the Security Camera RFP. The Library has a strategic goal of upgrading the Security Camera systems. This project will be completed over multiple years and started in 2016 with an RFP that was posted in September 2016. Six responses to the RFP were received and from those submitted, the Library selected two based on technology, reputation and cost. The two that we moved to the second phase were: Avant Datacomm Solutions, Inc. and HSS Security Systems Integration, Inc. The costs were very similar (within 5%) for the sample site that was selected (Belmar Library). HSS did put a remark on their quotes that stated that they felt that the Library should have a server at each site which would add \$12,000 to each site. Considering that option, HSS would be significantly higher. The Library has \$52,000 for this project that will roll over from last year; and \$82,000 budgeted for 2017. In response to a question, the Board was advised that the Library has included ongoing maintenance and support in the scope of the project. The Library is in the final contract negotiating phase and anticipates bring the contract forward at the March Board meeting.

ADJOURNMENT

The study session was adjourned at 7:00 p.m.

A handwritten signature in black ink, appearing to read 'John Bodnar', with a large, stylized initial 'J' and 'B'.

John Bodnar, Secretary