

**COMMISSIONERS OF PUBLIC WORKS**  
**Minutes of July 28, 2011**

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, July 28, 2011 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

**In attendance:**

Gene P. Hancock	Steve Reeves	Vickie Gorham	Bill Patrick
Michael G. Monaghan	Ken Barnett	Jeff Auman	Chris Trainer
Henry O. Watts	Richard Gentry	David Tuck	John Wiseman
	George Petersen	Jeff Meredith	Jean Martin
	Eduardo Noriega	Jeff Chapman	Chris Lindley
	Denise Ogletree	Carlos Cometto	Stacia May
		Jerry Smith	

I. Chairman Watts called the meeting to order. The invocation was given by Commissioner Hancock.

II. Chairman Watts gave the statement of compliance with the notification provision of the Freedom of Information Act.

III. Approval of Minutes:

A motion was made by Commissioner Hancock to approve the minutes as received for the June 9, 2011 regular meeting, and the June 23, 2011 regular meeting; the motion was seconded by Commissioner Monaghan, and unanimously approved.

IV. Financial Statement:

Commissioner Monaghan referred to the variance report showing that 2010 interest must be refunded as an expense but not budgeted. He noted that in the report it shows interest is budgeted. Ms. Ogletree responded that 2007 and 2003 bond interest is budgeted, but they did not budget 2010 because it is actually pre-funded with the proceeds from the bond, but they have to reflect it as an expense on financial statements. Mr. Patrick asked if that was the case even though the interest is not being paid out of operating funds but is being paid out of the bond funds; Ms. Ogletree responded that it still has to be reported as an expense. Mr. Patrick asked if it shows up on the financial statement but is not really money you have to pay out of operating funds. Ms. Ogletree responded that was correct because you cannot report proceeds from the bonds; it is just another cash source. Commissioner Monaghan noted the interest expense is reported and asked why that would be done; Ms. Ogletree responded that it is a generally

accepted accounting standard. Commissioner Monaghan asked why the interest is being paid out of bond funds, after noting that the interest expense on the O & M Report is put against an expense against the budget. Ms. Ogletree responded that it is shown as a negative against the budget because we did not budget it and have to reflect it as an expense. Commissioner Monaghan asked why it had to be reflected on the monthly expense report given to the Board. Ms. Ogletree responded that it was because that was open for public review and is not just information for the board. Commissioner Monaghan commented that it is misstating operational by showing more expenses out of the O & M budget than they really do have. Mr. Patrick stated that it does not make common sense that you would charge an expense that you do not have to pay. If you have to show it as an expense, it would seem that there should be some way to show some sort of an income item since you are paying it from operations to offset. Ms. Ogletree stated that a notation could be added that there is an offset from bond proceeds, but bond proceeds are not classified as revenue. Commissioner Monaghan asked Ms. Ogletree to look into a way to show it is in a public report that could also help the Commissioners keep better track of O & M and not think they are doing a better job than they really are doing. Mr. Patrick suggested that Ms. Ogletree talk with Charles Schulze to find out the best way. Commissioner Monaghan then referred to water consumption that was shown as 9% higher than budgeted. After noting \$330,000 and \$318,000 shown on the report, he asked about the difference. Ms. Ogletree responded that was sales only and would exclude bad debt. It is actually \$318,619.54 for general customer sales, plus \$4,816 for sales to the City, and departmental sales, and you would have to add back bad debt to arrive at \$330,000. She noted she was looking at sales volumes as opposed to sales dollars, so bad debt would have to be excluded because it has nothing to do with consumption. She stated that she was looking at how much was budgeted in gallons of water they would sell, compared to how much was actually sold. Commissioner Monaghan stated that in looking at a financial report and trying to figure out the comments and relate them to dollars. Ms. Ogletree stated that you would add those numbers up and exclude bad debt; \$318,619.54, plus \$4,816, the \$607.48, and then you would add back the \$6,397.22 for bad debt. Commissioner Monaghan then asked for an explanation of timing on grant income; Ms. Ogletree responded that when budgeting, the system looks at a three-year average and that is how they budget the expectation of how that money will come in. If they are doing a lot of projects earlier in the year or later in the year that is how they apply for the money to be reimbursed; the timing of that is different than it has been on an average for the last three years. For instance, we may have received most of the money in July as opposed to in January. Commissioner Monaghan asked if timing simply meant we are going to get the money but are going to get it at a different time. He then noted another timing comment on expenses for water lines and distribution. Ms. Ogletree

responded that meant we are spending the funds at a different timeframe of the year on average than was done in the last three years. She added that it is verified with the directors, and also a budget review will be done after directors have reviewed their June 30 statements. Commissioner Monaghan asked why industrial and commercial electric was lower by \$73,000; Mr. Meredith responded that Sheree Brown does projections based typically off a three-year running average. He speculated that it could be from some businesses having changed their hours due to the economy or some may have turned up the thermostats to conserve. Commissioner Monaghan asked what is anticipated from the new commercial businesses coming to the Mall and Hobby Lobby. Mr. Meredith responded that should add approximately 750 KW of load which should be fairly substantial for our system; we should come out alright for the year. Commissioner Monaghan noted that the variance report showed gas alternate fuel had caused a variance of \$460,000; Ms. Ogletree responded that it was not for any specific shutdowns or switches to an alternate fuel; it was because we were optimistic in the projection for industrial sales for the budget. Mr. Patrick clarified that not as much was used but it was not because they were cut off and switched over. Commissioner Monaghan noted a comment on the variance report showing an under-recovery of gas. He expressed confusion because the report showed an over-recovery of \$47,000. Ms. Ogletree responded that was actually under-recovery of the distribution costs that are not part of the gas cost recovery summary; it is the PDC instead of the PGC. Commissioner Monahan stated that it was the comment on under-recovery of gas costs that he did not understand; Ms. Ogletree continued that it is actually the under-recovery of projected distribution costs and the change in the sales volume. The PGC is separate from PDC; the PDC is not included in the gas cost recovery. It is monthly cost that has to be split out. Commissioner Monaghan stated that he wanted to be able to look at the report and know whether they are recovering costs. Manager Reeves stated that there are two components to gas recovery; Ms. Ogletree is referring to an under-recovery on the PDC. Ms. Ogletree stated that is not shown anywhere in the report; she would have to get back with Commissioner Monaghan to provide the exact amount under-recovered. Manager Reeves stated that if that is a component, then it should be shown somewhere in the report or in a separate report. Ms. Ogletree stated that could be done; she noted that it shows up now in the total, it is just not reflected in the PGC gas recovered. Manager Reeves stated that they would like to add A, B & C together to see where the total comes from, and one of those components is missing. Ms. Ogletree further explained that the budget is done with the system looking at most expenses based on three-year average; if we have a water expense paid for the past three-years in March, and then this year we spent it in July, it is going to show a timing difference. It is a three-year average of how we spent the budget.

V. Business:

A. Mr. John Wiseman with Greenwood Capital presented the quarterly report showing realized gains and losses for Account 1802 with net gains for bonds that had matured or been sold; the net gain for bonds currently in the portfolio; and the performance detail of the account with beginning and ending values. He then referred to the Revenue Bond Account from 2007 and the net gain or loss of any bonds sold or matured in the period. Mr. Wiseman noted bonds currently in the account and a high degree of maturity in the account. He noted performance with beginning and ending values. He moved to the Debt Service Reserve Fund Account with unrealized gains and losses showing current positions in the account, government bonds and agency bonds, and the performance of the account with beginning and ending values. He then referred to the most recent 2010 Revenue Bond Proceeds Account and noted a high degree of liquidity in case those funds are needed for projects; the holdings of that account, unrealized gains and losses, and a performance report of the account. Mr. Wiseman reviewed the final account that was for the establishment of a Gas Rate Stabilization Fund Account that had been funded earlier in the year. The report showed what had matured so far, current holdings, and performance of the account. Commissioner Monaghan asked about provisions for electric stabilization; Manager Reeves responded that was included in the rates on an ongoing basis; there is no immediate funding at this time.

Mr. Wiseman reported on the current economic situation beginning with the debt ceiling of \$14.3 trillion that was breached on May 16, adding that through a few measures, the U S Treasury was able to extend borrowing out until August 2. He continued by noting that two days ago, the Treasury came out pretty emphatically saying that August 2 is the date we would hit the ceiling. The Republican Speaker of the House has a plan as well as the Democrats in the Senate. It is unlikely, but must be recognized as a possibility, that the U S government would not pay interest on maturities on its debt. Certain things can be done to stave that off. Mr. Wiseman continued with the second potential outcome that is the passing of a plan that does raise the debt ceiling but does not include a downgrade in ratings. Currently, the United States has a AAA rating for both S & P and Moody's and both have made comments that they will look to downgrade the U S, certainly if they miss any payments, but also if they do not feel that the plan does enough to lower the debt to GDP ratio to warrant AAA rating. One option is that a plan gets passed by next Tuesday with a downgrade from one of the agencies; the other is that it gets passed without a downgrade. There could also be a

scenario where one of the rating agencies just allows some time to see how the plan develops and keeps the U S on credit watch negative, but keeps the AAA rating in force. He noted that the final option some had mentioned is the Fourteenth Amendment could be invoked by the President but the belief is that it will not get to that point. Mr. Wiseman discussed the effects on the asset classes; the stock market was down roughly 200 points yesterday, the riskier assets have taken the brunt of the selling or inconsistencies coming out of Washington so far. That does not leave investors with a lot of choices once they sell their riskier assets. The thought is that high-quality bonds will be a beneficiary of those assets even though that may be the asset class that potentially gets downgraded. There is no other asset in the world that is as broad and deep and liquid as the U S Treasury market. He stated that they would vote on the House plan today around 6:00 p.m.; yesterday there was a faction of Republicans in the House that emphatically said they would not vote for John Boehner's plan, the more conservative side of the Republican Party. Some staff e-mails leaked out and splintered the group, which helped Boehner with his cause. Harry Reid has said that it would not pass the Senate and the President said he would veto that measure as it is written now. The best scenario is that it is passed in the House today, the Senate take up their version of the Bill; they pass it and get an opportunity over the weekend to work. He expressed that some sort of deal is done; as it pertains to this asset class, they have been in contact with the State Treasurer's Office and there are no changes to the statute with what they can invest in, but they believe that high-quality government bonds will be beneficiary of any uncertainty that comes out of Washington. Commissioner Hancock asked how our bonds would be affected if the AAA rating is downgraded. Mr. Wiseman responded that it would not have much affect; you would think that if downgraded, the value would go down, but if there is such a demand for U S Treasures because the market is so broad, it will not have that great of an impact. Commissioner Hancock stated that we bought insurance to get AAA rating; Mr. Patrick clarified that Mr. Wiseman was responding to the question about our investment bonds and not the CPW issued bonds. Mr. Wiseman referred to a report from Moody's wherein South Carolina is one of fifteen states rated AAA in terms of issuing debt, which is the other side of the equation. In the report, there are five states, with South Carolina being one, that are tied enough to the federal government that it would probably dictate a downgrade if the federal government was downgraded to AA. He stated that one could argue that if you are in our country that is rated no higher than AA, then how could anything within our country be rated higher. He stated that their belief is that the consequences will not be great should that happen; there could be a short-term reaction but we are still a favorable, high quality general obligation and essential service revenue bond in our state.

- B. Chairman Watts presented a recommendation to approve an expenditure of \$97,586 for materials and rights-of-way to be funded from 2010 bond construction funds. He noted the work would be performed in-house for blow down valves on transmission lines to be used to rapidly pull down gas lines in the event of a failure, and to meet minimum federal pipeline safety standards.

A motion was made by Commissioner Monaghan and seconded by Commissioner Hancock. Commissioner Hancock asked about tapping the blow down valves on the line; Mr. Noriega responded that they would go about three feet on each side of the valves; each fitting will have its own blow down valve. The main line valve is to shut off the gas; the blow down valve is to bleed off the gas into the atmosphere. Commissioner Hancock asked how tall the stack would be if the valve would be tapped right on the main and the blow down on top of that. Mr. Noriega responded that it would be seven feet and braced by a concrete base underground; it would be flanged at ground level so that it would snap off if hit by a car. There will be two blow down valves that are locked for security so no one can open them. Commissioner Hancock stated that the transmission line was not classified years ago because of the regulations at that time; they figured the SYMS and did class locations and it was not classified as a transmission line. Now they have jacked the pressure up. Mr. Noriega noted that the pressure was increased in 1990 from 400 to 480. He then concluded by stating that seamless, coated steel pipe would be used on the blow downs. With no further discussion, the motion was unanimously approved.

- C. The Commissioners discussed the use of P cards with Commissioner Monaghan asking if a register of expenses would be provided to them. Ms. Ogletree responded that it would be the same as they receive for credit card statements. Commissioner Monaghan then cited an example of a director who might send an employee to pick up a shovel at Triangle Hardware. He asked if that employee would be allowed to take the P card to get the shovel; Manager Reeves responded that would be the intent. The director would reconcile that and send to the Manager to initial, and then over to Denise who would get the monthly report and reconcile the two. Commissioner Monaghan inquired about savings; Manager Reeves responded that it does not save anything but is more convenient. Ms. Ogletree noted that we would need \$1 million in purchases per year to get to the level to get a rebate. She continued that at some point we could look at "ghost" cards to get credit toward that \$1 million of purchases to start getting a rebate. She added that

there really was no intent to use P cards with vendors where there are accounts set up with discounts. Commissioner Monaghan used the example of Triangle Hardware who currently sends us an invoice and we send them cash and they pay nothing to Bank of America; with a P card, they have to pay a charge to Bank of America. He asked if the price of the shovel would be increased. Ms. Ogletree responded that if there is an established discount, then we are probably not going to use the P card. Commissioner Monaghan noted a cost to vendors from Bank of America to use the cards; Manager Reeves suggested first checking with the City of Greenwood since they are already using P cards to find out about any adverse reaction from vendors before making a decision. Chairman Watts noted that we would also save the credit card fee of \$35 per year for each of the Master Cards we have now. After Commissioner Monaghan asked about those fees being waived, Ms. Ogletree commented that the fee is from Master Card and not Countybank; they will not waive the fee on a business account. Commissioner Monaghan asked if crews would be carrying P cards around; Manager Reeves responded that currently directors where there are operations like gas, water, and electric do not have credit cards; it would help them in some of their purchases to use those. Ms. Ogletree noted it would be particularly helpful with travel and registrations. The item was postponed until the next meeting.

- D. Chairman Watts presented a recommendation to accept the low bid in the amount of \$16,779 from Ballentine Ford for a 2012 intermediate sedan.

A motion to accept the bid from Ballentine Ford as recommended was made by Commissioner Monaghan, seconded by Commissioner Hancock, and unanimously approved.

- E. Chairman Watts presented a recommendation to accept the low bid in the amount of \$109,500 from Town & Country to install a new walkway and wash down water line with hydrants for basin #6 at the Water Treatment Plant. He added this was included in the 2007 bond issue. Commissioner Monaghan asked for an explanation; Mr. Tuck responded that basin #6 is at the far end sedimentation basin on the east side of the plant that has never had a walkway to allow wash down of the basin. With this walkway and some additional hydrants, they can easily access the corner without having to get down in the basin to get residuals out of the basin and not have a confined space situation. Currently, they have to go down into the basin. Commissioner Monaghan asked how long that process takes; Mr. Chapman responded that the actual labor would be the same amount of time, but now we would not have to fill out a confined space injury permit, don't have to do air monitoring, don't have to do all of the OSHA compliance. Commissioner

Monaghan asked about the cost of whatever that involved; Mr. Chapman responded that costs for the process itself would include air monitoring equipment. Commissioner Monaghan asked if they do that now; Mr. Chapman responded they do air monitoring or ventilation when they go into a confined space. Commissioner Monaghan asked if they would save \$109,000; Mr. Chapman responded that over the life of this project, he would think so. Commissioner Monaghan asked about the life; Mr. Chapman responded that the basin is thirty one years old. Commissioner Monaghan commented that we have been doing this for thirty one years and now we want to spend \$109,000 to save an unknown amount per year. Manager Reeves stated that we have not really been doing it for thirty one years; confined space regulations did not go into effect until the last five years. Chairman Watts and Commissioner Hancock commented that it is a safety issue; Commissioner Hancock suggested that Commissioner Monaghan go out and take a look to see them wash it down. Commissioner Monaghan replied that they should then explain the safety issue because that was a different issue; Mr. Chapman responded that the safety issue with a confined space is that whenever you get into an area that does not have positive ventilation, then there could be noxious gases that have settled down in there. If that were the case, you would have a worker that would basically asphyxiate. Commissioner Monaghan asked if they test; Mr. Chapman stated that currently, they test, monitor, or provide positive ventilation. They also must have standby personnel qualified to go in and do a rescue if there were an event. Each time it is done, they fill out all the paperwork beforehand that they are going to do this and show the standby and the provider. Commissioner Monaghan asked how often the basin is washed down; Mr. Chapman responded that it is done twice each year. Commissioner Monaghan asked if this is any more dangerous than going down in a manhole; Mr. Chapman responded that it is the same situation but this would eliminate having to go through the process of providing all the equipment, monitoring, and safety precautions while having the efficiency of washing down the basins from up top. Mr. Chapman pointed out that it would also help the operators to observe the sedimentation basins. Right now when they go out to check the flocculation, they cannot walk out to look out over the sedimentation basin like the other basins. Commissioner Monaghan asked how often that basin is used; Mr. Chapman responded that it is used on a daily basis. Mr. Tuck added that the sedimentation basin is in use daily.

A motion to approve the low bid from Town & Country was made by Commissioner Hancock and seconded by Chairman Watts; the motion passed by a vote of two to one, with Commissioner Monaghan voting "no".

- F. Chairman Watts presented a recommendation to approve the low bid from McNaughton & McKay Electric Company in the amount of \$114,340 for the purchase and replacement of twenty-one (21) flocculator drives at the Water Treatment Plant. He noted that was included in the 2007 bond issue project listing.

A motion to approve the low bid from McNaughton & McKay Electric Company was made by Commissioner Hancock and seconded by Commissioner Monaghan; the motion was unanimously approved.

- G. Chairman Watts presented a recommendation to approve a contract with National Power at a cost of \$19,532.85 for renewal of the UPS Service Agreement at the Main office, the COC, and the Water Treatment Plant. Chairman Watts asked for an explanation of UPS; Mr. Auman responded that UPS stands for “uninterruptible power supply”, that is basically a big battery unit that all servers are running off of that covers cleaning up the power so the servers are more reliable from a hardware standpoint, and any time we have a power outage and the generator kicks in and there is a delay in between, this covers that time. He added that there is usually a minor fluctuation that is not enough to shut the computers down, but enough to cause fluctuations in the hardware that ages the equipment when we stop and start the generator, even on a test; this also cuts out those fluctuations. He continued that one of the biggest disruptions uptown is when cashiers cannot take money if the UPS is out and there is no power. Mr. Auman stated that the project for this year is to upgrade them; there are three servers now at the Main Office, the COC, and the Water Treatment Plant. This is the annual maintenance service on those units and covers anything that happens to the UPS. In addition, every five years to keep things up to speed, batteries need to be replaced to maintain levels that we have set up, so a certain amount of batteries in the unit need to be replaced. He continued that there is a set to be replaced this year and that is part of the cost for this building, which is the oldest unit. Commissioner Monaghan asked if the batteries are independently tested; Mr. Auman responded that they are. The system itself has a battery test once a week that tells us if there is a problem with any particular battery; it actually has a call home mode if it detects a bad battery that will send an e-mail to the technician and to us. Typically, they are out the very next day with a new battery. Once batteries get to a certain age, they are no longer reliable and they will not allow us to have the coverage without replacing batteries on a five-year circuit. Commissioner Monaghan stated that he did

not like the sound of that. Mr. Auman added that is standard in the UPS industry. Commissioner Monaghan stated that is a good way to sell batteries and asked about more than one vendor. Mr. Auman responded that there is not for this particular brand, and you cannot mix batteries from another vendor in this unit because of the design. Commissioner Monaghan asked if they ever go out to see if someone else is cheaper; Mr. Auman responded that they have. They can buy the batteries elsewhere, but not the service because it is a territory thing similar to Rockwell. He continued that he did not do an actual bid on the batteries, but sent out a request for quotes to various vendors and they were within \$20 of the next nearest one, but were going to add shipping that these guys do not because they send it with the technician; so they were cheaper in the end. Commissioner Monaghan asked how long we have had the units; Mr. Auman responded that the unit here is about seven years old. Commissioner Monaghan asked if we had used this same vendor for service the entire time; Mr. Auman responded that we have. Commissioner Monaghan asked if they would not do it unless you buy batteries; Mr. Auman responded that it is not actually National Power but Eaton who manufactures the unit, because they are a factory service for Eaton. Eaton will not allow you to get their service contract without the battery change out. He continued that he had also checked to see if anyone else would do a third party service on the unit, and had not found anyone to do that. All UPS vendors do the same type thing. Commissioner Monaghan stated that it seemed that they are spending more and more on equipment; Mr. Auman stated that he tried to keep costs down as much as possible, but unfortunately we keep using more and more technology. Chairman Watts noted that once you start to depend on technology, it seems to require more and more of a support system to keep things going.

A motion to approve the contract with National Power was made by Commissioner Hancock and seconded by Chairman Watts; the motion was passed by a vote of two to one, with Commissioner Monaghan voting "no".

VI. Other Business:

1. Manager Reeves acknowledged receipt of a Certificate of Appreciation from the Marine Corps League recognizing CPW for their contributions to the Festival of Discovery. He then recognized the Water Treatment Plant who was again the recipient of the Excellence in Water Treatment Award for Phase IV. He noted that CPW was the fourth in the nation to receive this award, and is currently one of only nine in the country. CPW is one of only four in the country to receive the award for five years, and the only water plant in the state of South Carolina. Manager Reeves commended Mr. Tuck, Mr.

Chapman, and staff for their hard work in providing the best quality water to our citizens.

2. Manager Reeves noted that the audit should be ready to present at the next meeting in August. Commissioner Monaghan requested a copy of the audit beforehand; Manager Reeves responded that would definitely be provided in plenty of time. Manager Reeves stated that they would plan to have the presentation at the next meeting, and if for some reason the copies are not ready, the presentation would be delayed.
3. Chairman Watts asked for an update on Augusta Fields. Mr. Cometto responded that construction is on schedule with about 45% complete with about 50% of the main lines completed.
4. Chairman Watts asked about the progress of gas line construction in Promised Land; Mr. Noriega responded that they are on the west side of the railroad tracks, but there is still an issue with CSX who is hinting now that they want more money. They are looking at an alternative way to come through the back entrance at Saddle Hill. He stated that if CSX wants too much money, they can keep their permit and we will go another way. They are already talking with some of the property owners.
5. Manager Reeves noted unofficial notification of the approval of another CDBG grant.

VII. Executive Session:

A motion was made by Commissioner Monaghan and seconded by Commissioner Hancock to go into *Executive Session* for a contractual matter; the motion was unanimously approved.

VIII. With no further business, the meeting was adjourned.

Approved: \_\_\_\_\_, 2011

\_\_\_\_\_  
Secretary