

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

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

**In attendance:**

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

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 Monaghan to approve the minutes of the March 10, 2011 and the March 24, 2011 regular meetings as received; the motion was seconded by Commissioner Hancock, and unanimously approved.

IV. Financial Statement:

With no questions from the Commissioners, the financial statement was received as information.

V. Business:

A. Mr. Michael Nix with Greenwood Capital provided a quarterly investment report for January 1, 2011 through March 31, 2011. He noted that issues that had matured, called or sold during the period to date were shown in the report for Investment Account 1802, as well as a list of assets in the account that are all statute approved investments, including the South Carolina Municipal Bond Issue. He then referred to a performance report for the account, showing all contributions and withdrawals, and noted an asset transfer to the Gas Rate Stabilization Fund. Mr. Nix continued with the 2007

Revenue Bond Fund Account 1975 and any issues that had matured, called or sold during the period. He noted a list of current assets for the account and reported on an anticipated draw down on the account. He stated that once that occurred, they would reinvest to prepare for the next draw down coming later in July or August. He stated that as this account is depleted, it would be closed at some point. Mr. Nix referred to a performance report for Debt Service Reserve Fund Account 2047. He reminded the Commissioners that this fund will stay in place until the bonds these funds are reserving are paid off. That will occur over a period of time so that eventually the money held in this account will be transferred over into the Investment Account as the bonds have been retired. He noted a list of current assets in the account, and a performance report. Mr. Nix continued with the 2010 Revenue Bonds Proceeds Account 2097 and issues that matured were called or sold during the period. He noted this account was on a twice per year draw down schedule, with the next withdrawal coming around July, and subsequently in January. The account would be positioned to handle those schedules. Commissioner Monaghan asked about the draw down schedule; Ms. Ogletree responded that the projects that qualify are paid for out of operating funds and then twice per year reimbursed from the bond proceeds. She added that amount was minimal for 2010 because there were not a lot of projects started. She added that they would be asking for a transfer of \$448,000 at the next meeting from the 2007 bond proceeds. Commissioner Monaghan asked if anything other than the calendar triggered those withdrawals; Ms. Ogletree responded that they chose those timeframes rather than to do it monthly. Mr. Patrick responded that it can be done at any time. Manager Reeves added that if there were a large amount, they would do it sooner than six months. Ms. Ogletree stated that there was a time in the past when they had to draw it earlier when gas prices were high and they were spending money for 2007 projects at the same time. Commissioner Monaghan asked if that was reported anywhere; Ms. Ogletree responded that there is a report when the draw down is done, but it is not shown in a monthly report. Manager Reeves noted that when there is a large request, that would be brought to the Board. Mr. Nix continued with a list of current assets in Account 2097, as well as a performance report. He then commented on the Gas Rate Stabilization Fund 2129 that was established by the Commissioners where assets were transferred from the Investment Account and trued up to the million worth of cash. No issues have matured during this period of time. He referred to page 15 with a list of current assets in the account that were transferred over from the Investment Account. Mr. Nix stated that since there are no specified liquidity needs for this account, it would probably be managed much like the Investment Account. Interest will accrue to the account and it will be managed with a ladder portfolio structure; if there are needs, at that point

that would be communicated and they would be able to raise money to meet any needs. Mr. Nix concluded with a list of the account value showing there had been no changes since it was just done. He added that they are mindful of how to position the portfolio to maximize the interest they can generate without taking risk given the interest rate cycle and expectation of an increase in rates.

- B. Chairman Watts presented a recommendation to approve an engineering agreement with HPG and Company. Manager Reeves explained that the engineering agreement with HPG was to complete the design, construction, and administration for projects listed in the 2010 bond issue, and completion of some projects in the 2007 bond issue. The total for engineering and design is \$139,522; preparation of bid documents and bidding process is \$7,500; and contract and construction administration is \$60,085.

A motion to approve the engineering agreement was made by Commissioner Hancock, seconded by Commissioner Monaghan, and unanimously approved.

- C. Chairman Watts noted a recommendation for in-line turbidity meters. Mr. Chapman explained that Mr. Tuck had reviewed the bids, and the obvious low bidder did not quote the specified turbidity meters or the required calibration kit. The recommendation is for the lowest bidder meeting the specifications, Miller Analytical in the amount of \$14,592.28.

A motion was made by Commissioner Hancock to accept the bid that met specifications; the motion was seconded by Commissioner Monaghan, and unanimously approved.

- D. Chairman Watts presented a recommendation to accept the low bid based on lowest cost of ownership from HD Supply for two (2) 150-KVA padmount transformers in the amount of \$15,506; and the low bid based on lowest cost of ownership from HD Supply in the amount of \$16,148 for one (1) 750-KVA padmount transformer.

A motion to accept the bids as recommended was made by Commissioner Monaghan, seconded by Commissioner Hancock, and unanimously approved.

- E. Chairman Watts presented a recommendation to extend a purchase order agreement for water meters with Carolina Meter, who has agreed to hold last year's prices.

A motion was made by Commissioner Monaghan, seconded by Commissioner Hancock, and unanimously approved.

- F. Chairman Watts presented a recommendation to accept bids for two copiers. Mr. Auman explained that the request is for two copiers, one in finance, and one in the billing department. These copiers were designed to last five years and have lasted seven. The recommendation for both is with the low bidder, Sharp, based on total cost of ownership. Manager Reeves clarified that the five-year cost of ownership for the first copier for the billing area is \$20,807.13; the purchase price is \$9,769.05. The second copier that will be used in the finance department has a five-year cost of \$17,077.15, with an upfront purchase price of \$11,684.35. Mr. Auman added that this locks in maintenance cost on both for the five-year period. He continued that one of the biggest costs with a copier is with maintenance. They take the copier cost, plus the actual cost based on volume because they charge per page; that includes maintenance and components like toner for the life of the copier. All vendors were asked to project costs based on volumes for the full five-year life and guarantee that copier would last five years, or if it does not, they would bring a like copier until that five-year period is over. The total cost of ownership is what it would cost over the entire five-year life; we are billed monthly based on volumes at a per page cost.

A motion to approve bids for both copiers was made by Commissioner Hancock, seconded by Commissioner Monaghan, and unanimously approved.

- G. Manager Reeves recalled past discussions about the dismantling at the end of June of the South Carolina Local Government Assurance Group (SCLGAG) through the Municipal Association of South Carolina, who had basically been coordinating the administrative functions of our health insurance plan. Everyone who was a member of that group would have to go out and handle their own insurance needs. He continued that in talking with John Phillip, the actual administrator through contract with SCLGAG and a representative through Medcost, they have offered to continue the administrative function for us. The chart provided shows administrative costs to us at an identical cost as paid in the past. Manager Reeves recommended retaining Medcost as our administrator for our health insurance plan for a period of twelve-months, adding that we can extend or terminate at any time. He noted that he did not have the agreement at this time. Commissioner Monaghan asked if everything would work the same as done now; Manager Reeves responded that it would be the same except that the reserve fund being handled by the

Municipal Association will now be handled internally. The plan will not change other than some changes to the plan that will be affected by the Health Reform Act. Commissioner Monaghan asked where payments are originated if we are holding the reserve account. Manager Reeves stated that he understood we would originate the payments. Commissioner Monaghan asked if he goes to the dentist who would then pay the dentist. Ms. Ogletree responded that it would be paid by Medcost. Ms. Ogletree responded that we make a premium payment; the payments to doctors should come out of those premiums and be paid by Medcost. If those claims exceed the amount of premiums, it would come out of the reserve. Commissioner Monaghan stated that he did not understand what was meant by insurance premium; Ms. Ogletree explained that CPW pays Medcost a monthly insurance premium per employee. Manager Reeves added that there is a monthly premium that goes into that reserve fund; out of that reserve fund all payments are made. The question is whether we pay each doctor, or does Medcost pay them and we reimburse them from that reserve fund. Manager Reeves stated that he would get an answer to the question and e-mail that answer. He noted that everything is still fuzzy because none of us has ever had to do it that way. Ms. Knott stated that Medcost would be paying all claims. Mr. Patrick added that it would not really work if Medcost did not pay the claims. Manager Reeves stated that at this point, they just needed to acknowledge that Medcost will provide the administrative function. The actual agreement would be brought to the Board later. Mr. Patrick stated that a motion was probably needed to change administrators from SCLGAG to Medcost, subject to approval of the agreement.

A motion was made by Commissioner Monaghan, seconded by Commissioner Hancock, and unanimously approved.

Chairman Watts asked about any anticipated premium increase; Manager Reeves responded that would be dependent upon claims since we are self-insured.

#### VI. Other Business:

1. Chairman Watts asked about progress with getting gas to Promised Land. Mr. Noriega responded that they are about finished with Phase I, which is laying the trunk across Promised Land and should be tying on to Cedar Springs Road within the next week. There are some interested customers in Verdery so they will run another 1,000 feet to catch them. Mr. Noriega added that they are waiting now on the railroad crossing permit which could take anywhere from 30 days to six months. He noted that some potential

customers are waiting to empty their propane tanks before making the jump to natural gas; some have \$700 invested in propane that they do not want to lose.

2. Commissioner Monaghan asked how far out they wanted to go with gas purchases. Mr. Smith responded that they currently have a position through September and are looking to add for next winter. They don't have anything for winter right now but prices are fairly attractive. Commissioner Monaghan asked about hedging puts and calls. Mr. Smith responded that they bought some puts a couple of months ago. He noted that they are now looking at something that still needs some internal discussion, and that is buying some puts into rallies because there is a rally going on now. They are also looking at selling call options on gas in storage because there is a fair amount of gas in storage. Commissioner Monaghan asked about looking at more storage; Mr. Smith responded that they are not looking at storage, the Petal storage contract just became active this month and they have not been injecting into storage yet since there is a fair amount of storage now. He stated that selling call options is a way of getting some income by capturing the time value on the options. The idea is to between now and next winter be able to sell a couple of options, say one for September and then when that expires, another one for October/November; when those options expire, we can sell futures against our storage position. Mr. Smith noted that Mr. Patrick had not yet given them the green light to go ahead, those internal discussions would need to take place first. The idea is that because we have added to storage, and have gas in storage already, we are trying to leverage that asset to the extent we can. Much of the gas we have in ESS is below \$4, so we will do well no matter what.
3. Chairman Watts asked about grant activity. Mr. Chapman reported on a \$50,000 grant applied for with the Budget and Control Board through the Office of Energy. They have gone through reorganization and moved offices and keep telling them it will be a couple more weeks before we know. This is tied to the variable speed drive at the water treatment plant. He noted a CDBG application for 2011 projects that we are calling the southeast side that involves Beechwood, Botany Court, Roswell Road and Still Road. Because CDBG continues to tighten up the scope of what they want to lend, projects now have to be in a geographically concise area. The other limiting factor is that this is the fourth or fifth year in a row we have done CDBG so the LMI targets are going away. If we apply again next year, the projects will be smaller because the target area and geographical area are both getting smaller and smaller. Chairman Watts asked about 2-in. lines left; Mr. Chapman responded there are plenty left, but we are getting rid of 2-in. galvanized line

in the LMI areas. There are only a few streets left here and there and we are targeting those on our budget on a worst case basis driven by complaints and leaks. Commissioner Monaghan asked about Lindsey Avenue; Manager Reeves responded that there had been no resolution at this time. He stated that he met with Mr. Barrineau and Mr. Anderson, and Mr. Anderson would like to work out some agreement and understands the Board's position. Chairman Watts asked about new construction; Mr. Chapman responded that they are working on Reynolds Avenue to replace a 6-in. section of cast iron that will run down to Stockman Oil. He continued that Mr. Cometto has reviewed the bids for Augusta Fields and the ball is now in DHEC's court to get in touch with the Budget and Control Board. The City also has to pass a resolution on May 16. Commissioner Monaghan asked about an overall scheme of plans for gas construction; Mr. Noriega responded that the Commissioners had previously approved five projects. He continued that he is also looking at another area that he was not prepared to discuss at this time. He noted that they are getting landlocked so he is trying to establish territories up north and looking to expand to keep other gas companies from moving into what could possibly be our territory. Commissioner Monaghan noted a question from a guy up north about getting gas in his area and asked if it was feasible to get an estimated time so that when someone asks, they can tell them if or when that could happen. Mr. Noriega stated that could be provided. They wanted to get started with Promised Land, and then move to Flatwood Road and a neighborhood off Flatwood. In a year, they will see where they are and what is left. Commissioner Hancock stated that this is driven by economics; you run it if you can make money, if you can't, then you don't do it. If there is nothing there to go to and you don't get customers, then it does not pay off. Manager Reeves stated that is why they do surveys on potential number of customers and length of line. He added that they would be happy to check on the area Commissioner Monaghan was asked about to find out if there are other potential customers to help justify an extension.

VII. Executive Session:

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

The meeting returned to open session.

A motion was made by Commissioner Monaghan and seconded by Commissioner Hancock to approve the grandfathered option for health insurance plan benefits; the motion was unanimously approved.

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

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

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Secretary