

COMMISSIONERS OF PUBLIC WORKS
Minutes of July 31, 2008

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, July 31, 2008 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Steve D. Reeves, Jr.	Vickie Gorham	Bill Patrick
Michael G. Monaghan	Ken Barnett	Richard Gentry	Laurie Smith
Henry O. Watts	Jeff Auman	Jeff Chapman	Mark Warner
	Carlos Cometto	Curtis Burnett	Michael Nix
	Denise Ogletree	Melinda Bishop	Jean Martin
	Jay Thompson	Vicki Knott	Stacia May

I. Chairman Monaghan called the meeting to order and Commissioner Hancock gave the invocation.

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

III. A motion was made by Commissioner Hancock and seconded by Commissioner Watts to approve the minutes of the June 5, 2008 special called meeting; the June 12, 2008 regular meeting; the June 26, 2008 regular meeting; and the July 17, 2008 special called meeting as received; the motion was unanimously approved. By consensus the Commissioners agreed that the minutes of July 17, 2008 should not be on the CPW website.

IV. Financial Statement:

Chairman Monaghan requested additional time in order to review the information sent by Ms. Ogletree on arbitrage; the Commissioners received the financial report as information.

V. New Business:

A. Ms. Jean Martin with Countybank thanked the Board for the opportunity to work with CPW and offered to address any questions from the Commissioners. Mr. Michael Nix with Greenwood Capital provided a quarterly investment report. He referred to page one showing a listing of assets sold or matured over the period of the first six months of the calendar fiscal year with net gains or losses of each issue. He then referred to page three showing a list of current assets in the account that are a mix of

approved securities, U. S. Treasury bonds and U. S. Agency bonds. Mr. Nix addressed concerns with two of the agencies, Fannie and Freddie, and noted legislation had been passed that was very supportive. He continued that as they maintain, they are not concerned with the credit of these particular bonds or the longevity of the classification as approved securities, but they would continue to stay in contact with the S. C. Treasurer's Office. Mr. Nix then referred to page five of the investment report showing asset values at the beginning of the period and withdrawals, noting a withdrawal from the account in February. He stated that based on that withdrawal, the budget cash flow was adjusted and in line for the year. He referred to realized and unrealized gains shown with changes in accrued interest and bonds purchased. He stated that account performance for year-to-date was up 1.69% and yield was still running around 4% - 4.2%. Mr. Nix stated that overall interest rates had been in a straight line from the beginning of the year to current. He noted a lot of volatility between that period of time with rates moving up, back down, and up again. He explained how they plan to manage through economic concerns with the fed through the FMOC activities on the short end of the curve and some of the inflationary concerns on the long end of the curve. He commented that they were appropriate extending through duration right now when it is more attractive to move out the duration on a maturity scale to pick up additional yield, and concluded that they are maximizing the interest that can be generated in the account in accordance to state statute. Chairman Monaghan expressed satisfaction of the Board with the services from Mr. Nix and the Countybank.

- B. Ms. Laurie Smith with Elliott Davis & Company presented the annual audit report for the year ended December 31, 2007. Chairman Monaghan stated that they may go through the audit today and then ask Ms. Smith to return next month. She began by noting the inclusion of two additional reports, one of which is a single audit report where a federal grant of more than \$500,000 was received making it subject to single audit. She then noted an additional report due to changes in standards and regulations which is a required written communication explaining their role at the end of the audit. Ms. Smith stated that the annual audit report expressed an "unqualified" opinion from the external audit firm which is a "clean" opinion on the financial presentation in accordance with generally accepted accounting principles and governmental accounting standards. She noted that the report was submitted to GFOA at the end of June for the Certificate of Excellence Program. She then referred to page seven showing the statement of net assets or balance sheet as compared to the prior year. Ms. Smith noted total assets of right at \$111 million as compared to \$103 million the prior year when the year audit period ended, which was up about 8% from the prior year. She noted about 68% of

assets are in infrastructure and capital assets and those ended right at \$76 million for the year, which is up about 1% over last year with improvements in systems versus depreciation as those are written off. Ms. Smith referred to note seven on page 18 of the note disclosure showing additions, construction progress, actual equipment distribution systems, and buildings, for \$5.7 million in capital assets added for the year, and based on estimated useful life were depreciated about \$4.9 million. Chairman Monaghan inquired about the last time a physical inventory had been done; Ms. Ogletree responded that it was around December 26, 2007. Ms. Smith stated that capital assets were inventoried and also some general assets like fuel, parts, and supplies. She stated that capital assets comprised 68% of total assets with the biggest other composition coming from cash investments. Ms. Smith noted that page seven showed the year ended with cash and investments in current assets right at \$11.6 million, and restricted cash and investments right at \$10.5 million which comprised the other 20% of total assets. She noted current assets, cash and cash equivalents and investments totaling right at \$11.6 million, which was pretty flat when compared to the prior year. She noted a big increase with non-current assets, restricted cash and investments, totaling right at \$10.5 million due to a bond issued during the year where the bond proceeds had not all been expended. Ms. Smith referred to a note disclosure shown on page 14 regarding cash and investments that was changed several years ago so that investments are spread by maturities. She stated that in this type of market you want to stay fairly short and they were. Ms. Smith explained a requirement to test deposits in the audit, including banks accounts and CD's, to make sure all funds are collateralized or covered by FDIC insurance or the bank or financial institution has pledged their assets to cover deposits in the event of a bank failure. She stated that all deposits were collateralized or insured. They also tested investment types for compliance with state law and found those to be in compliance. Chairman Monaghan inquired about Fannie Mae and Freddie Mac. Ms. Smith responded that they were allowed to invest in those by state statute. Ms. Smith then referred to the total liabilities line shown on page seven of the balance sheet at \$41.360 million that was up from last year. She stated that the biggest part of the liabilities comes from bonds to be repaid with the increase driven by the issuance of bonds during the year. Ms. Smith reported that net assets ended at \$70.3 million as compared to \$68.6 million last year, up \$1.7 million for 2% growth for the year. Ms. Smith referred to the statement of revenues and expenditures shown on page eight with total operating revenue last year of \$74 million as compared to \$71 million this year for a \$3 million decrease driven primarily by the price of gas. Ms. Smith reported operating income of \$3 million last year and \$2.2 million this year. She stated that net assets were flat with revenues less expenses ending the same as last year at \$1.7 million. Ms. Smith added that the big

difference in non-operating came from federal and state grant income that we did not have the prior year. Ms. Smith reported on the 8133 single audit report required because of receiving federal funds of \$500,000 or more noting an actual receipt of \$500,000. She explained that single audit is an additional audit requirement for compliance when federal funds are received. Ms. Smith commented that single audits are a hot button in the regulatory arena with the feds right now because of a study done last year finding a lot of single audits deficient. She noted that their firm had special training to do single audits. She referred to two letters on page three of the single audit report, with the first a schedule of what CFDA number that grant came through at the federal level. She stated that the first opinion from Elliott Davis on pages three and four is what is considered a "yellow book" opinion, and is the compliance opinion with governmental auditing standards where internal controls and compliance were tested. She noted no material weaknesses on internal controls, no significant deficiencies, and no instances of non-compliance with laws and regulations were found. Ms. Smith referred to the single audit opinion letter on pages five and six that specifically relates to how the \$500,000 was expended was tested in conjunction with compliance with the grant document; there were no compliance problems with that document or with how those were managed from an internal control standpoint. Ms. Smith stated that the single audit was given a "clean" opinion. Ms. Smith referred to the new SAS 114 report, noting that in prior years it was only required for publicly traded companies but a new standard made it applicable to all entities. Ms. Smith explained the auditor's responsibility on page one that was to plan the performed audit to obtain reasonable assurance that the financial statements are free of material misstatements. She stated that no significant or unusual transactions were noted during the course of the audit. Ms. Smith referred to page two on management judgment and accounting estimates stating that the biggest accounting estimate was the allowance for doubtful accounts on accounts receivable which is not material in relation to the audit. She noted no audit adjustments or uncorrected misstatements adding that it speaks highly of the finance department with closing the books and making required entries; no difficulties were found with management in the performing of the audits. Ms. Smith stated that the team and the firm that conducted the audit were independent during the audit. She continued that audit procedures are not designed to detect material errors or fraud; however, a think tank on how fraud could occur is done during the planning process of the audit. She referred to appendix B on page six to educate the Commissioners on what is new with accounting standards and where their focus should be. Ms. Smith reported on implementation of a new accounting standard related to other post-employment benefits, or what is provided to retirees in medical

insurance coverage premiums paid for them after retirement that would be required by December 2008. Ms. Smith stated that Ms. Ogletree was working with the Municipal Association to get a number and would also engage in actuaries this year to determine liability. Ms. Smith explained how the liability would be reflected in the financial statements as a decrease in net assets. She added that the numbers with governmental entities that have already applied the standard in phase one this year have been fairly large. Ms. Smith estimated that once the actuarial reports are received, it would take the organization about three months to evaluate those and decide how to go forward with liability and deal with benefits. Ms. Smith encouraged the Board to begin the process quickly since it must be done before year end on December 2008. Commissioner Watts inquired about the phases for implementation. Ms. Smith explained that CPW falls into phase two; implementation depends on your size with regard to assets and revenue. She noted that phase two is a good place to be because you can learn from the phase ones. The biggest decision would be whether to fund it by setting aside assets, partially fund it, or not fund it. Ms. Smith reported that most entities have not been in a position to fund it and are working toward how to go about funding. Ms. Smith pointed out that this would affect future bond ratings; if it is an unfunded liability, bond rating agencies would take that into consideration. She noted that some agencies have chosen to partially fund knowing that with time this area may change once there is better history for actuary to use to figure out what the real liability would be. Right now it is an estimate based on mortality, current policy, and estimates of how long retirees will live. Chairman Monaghan asked about covering it with an irrevocable letter of credit rather than setting aside funds. Ms. Smith responded that this is probably a legal question but her thoughts were this could be a way to do it, but you would probably be considered somewhat unfunded by your bond rating agencies because you are using a liability that is not on your books. Mr. Patrick expressed doubt that that would solve the problem because you are taking one potential liability for what you owe pensioners for folks who are going to have insurance and replacing that with a letter of credit from a bank. Their letter of credit states that if you have to pay those folks, they would pay, but if they pay them then you have to pay them, so you would still have that liability to the bank. Chairman Monaghan pointed out that you would not be tying up funds. Mr. Patrick stated that they would not be absolutely required to fund it, but it would have a negative impact on bond issue or rating when you get ready to issue bonds as opposed to somebody saying you have got to fund it. It will be a liability that will show up on the financial statements and affect the bottom line of net assets. Ms. Smith stated that it would be booked as a liability; if you have not set aside monies in the trust, then that liability would be bigger because you have

not set aside any assets. The bond agencies will consider it against you as a liability whether you have funded it or not. Mr. Patrick stated that the Municipal Association or someone had tried to set up a trust that is before the Supreme Court now as to whether that is going to be legal; the guess is that it is not legal. Ms. Smith stated that the first time you have an actuarial calculation, that number would be high because they are going to be conservative and some things would be unknown. As they build history, and even if you do not change your coverage and what you are providing for employees, that estimate would go down and become more realistic as information is gathered. She stated that she encourages most entities to consider not fully funding. Mr. Patrick agreed that it would likely be high starting out, but realistically from an estimate standpoint, it is something you ought to know about because it is a real liability and affects their decisions with what they can afford to commit to going forward. Ms. Smith stated that many times the governmental standards follow the for-profit standards. She concluded that for-profit entities like General Motors had to apply some of these standards three or four years ago and then there was a trickle-down effect. Chairman Monaghan thanked Ms. Smith for the presentation.

- C. Manager Reeves reported that the lake was approaching two and a half feet below full stage as of the past Monday and urged the Board to designate voluntary restrictions due to the lack of rain. He noted that CPW is officially listed with the state as being in a voluntary restriction but the public is not really aware of that and we would probably want to publicize that now. Chairman Monaghan asked about the implication if we do not publicize. Manager Reeves responded that there is no requirement by the state at the time, but that could change. He continued that it would have a negligible effect because most people would simply ignore it; it would be more psychological and maybe even political by attempting to show concern by recognizing that other parts of the state are suffering. Commissioner Watts inquired about the level the lake would have to reach before enacting mandatory restrictions. Mr. Chapman responded that the first trigger for the drought management plan is 433 which would be six feet below full stage. Mr. Patrick asked if that would be mandatory; Mr. Chapman responded that it is by our drought management plan filed with the state. Chairman Monaghan asked about the voluntary trigger; Mr. Chapman stated that six feet is the first voluntary trigger level and is where they have set guidelines for specific reductions they would like to see people set, and where we would also stop installing irrigation taps. He continued that what was issued back in November at the behest of the DNR asked for all water systems to enact voluntary water restrictions. The Board decided at the time, it was placed on our website and we gave people some guidelines on water conservation. It

was mainly public education to prepare people and help them realize that the upstate was in a severe drought condition. Mr. Chapman noted five counties north of us that are in extreme drought conditions. He continued that we were behind in June, made up a little in July, but from June to July were still about two inches below normal rainfall. Manager Reeves stated that it is mainly psychological because if you ride by the lake, with being down two and a half feet you see a lot of shoreline that has not been seen in quite some time. If we get close to six feet you can only imagine how much shoreline you would see. People could begin to panic way before then and wonder why we have not done anything. Commissioner Hancock noted that Anderson was already asking for it because of where their water source comes from. We have a good water source here and we sit right below Greenville. They would do enough advertising in Seneca and Anderson to restrict our usage just by people reading those papers. Mr. Patrick asked if the plan had a trigger for voluntary restrictions. Manager Reeves responded it was six feet. Mr. Patrick agreed it would be mostly in support of other systems. Manager Reeves stated that the entire state is in a drought situation; the upstate has been classified as extreme drought and is in bad shape. He continued that if you ride by any of the lakes in the upstate you would see that they are way down. Commissioner Hancock suggested staying where we are until we hear something further and follow what the state says. Manager Reeves stated that we have already designated voluntary restrictions so that designation would not have to change; it is a matter of whether we want to publicize. Commissioner Watts stated that he was in favor of publicizing. Commissioner Hancock stated that we have to follow what everybody else does anyway whether or not we publicize, but he would like the public to know that we are not in trouble; the water is the problem and not the water plant. Commissioner Watts expressed the opinion that that the public should be made aware and the other Commissioners were in agreement.

- D. Manager Reeves informed the Commissioners of the receipt of bids to pressure wash and paint the exterior of the main office building. He noted that it had been budgeted for this year since we had been in the building for ten years without any exterior maintenance. He stated that although we are in a budget crunch, he considered the low bid of \$7,800 very reasonable, and the amount was within his spending limit. Commissioner Hancock pointed out that GMD would soon be vacating part of the building. Chairman Monaghan commented on the need to change the signage at the front of the building after they move out. He added that there should be better signage anyway clearly denoting CPW; right now with it only on the window glass, a lot of people have trouble finding the building. Commissioner Hancock pointed out that the roof was reinforced at the edge so that signage could go there;

Manager Reeves stated that it would be budgeted for next year. The Commissioners directed the Manager to proceed with pressure washing and painting of the main office building exterior.

- E. Manager Reeves presented a recommendation to accept the low bid from Brite Computers for tablet PC's in the amount of \$53,785.08. Chairman Monaghan inquired as to why there is still a mainframe. Mr. Auman responded that we have a mini-computer which is in the midrange class and not a mainframe. Mr. Auman referred to statistics showing where the market for systems like ours is actually growing. He added that utility billing is not quite half and half between using machines like ours and those going to PC based servers; those on PC based servers for the most part are non-customizable making the cost a wash from a programming standpoint. Commissioner Watts asked if the recommended bid for tablet PC's included everything; Mr. Auman responded that it included everything but a few of the mounts to go into the vehicles.

A motion was made by Commissioner Hancock and seconded by Commissioner Watts to approve the bid as recommended; the motion was unanimously approved.

- F. Manager Reeves presented a recommendation to accept the low bid from Altec Industries, Inc. in the amount of \$146,995 for a bucket truck. He noted that \$125,000 was budgeted; Mr. Meredith had discussed the extra cost with the bidder and was satisfied with their explanation. Manager Reeves proposed going ahead with the purchase of the bucket truck and to fund it by using the \$125,000 that was budgeted, as well as \$21,000 that was budgeted to purchase another truck, and then budget again next year for the other truck. Commissioner Hancock asked if the bucket truck was needed now; Manager Reeves responded that it was.

A motion was made by Commissioner Watts and seconded by Commissioner Hancock to approve the low bid as recommended by staff; the motion was unanimously approved.

- G. Manager Reeves recommended acceptance of a bid in the amount of \$13,770.90 for light fixtures and poles at the entrance roadway into the Biotechnology Park.

A motion was made by Commissioner Hancock and seconded by Commissioner Watts to accept the bid as recommended; the motion was unanimously approved.

H. Manager Reeves reminded the Commissioners that typically funds are spent from the General Operating Fund for bond projects and then replaced by a transfer from the Bond Construction Fund. He presented a request to transfer funds in the amount of \$82,525.39 from the 2003 Bond Construction Fund into the General Operating Fund. Mr. Patrick asked if this would exhaust that construction fund and Ms. Ogletree responded that it would. Mr. Patrick noted that there would be arbitrage calculation on that going forward.

A motion to transfer funds as recommended was made by Commissioner Hancock and seconded by Commissioner Watts; the motion was unanimously approved.

I. Manager Reeves referred to the proposed guidelines and procedures for collection agencies and asked for guidance from the Commissioners in order to move forward. Chairman Monaghan stated an objection to the statement about not continuing to bill and noted that discussion took place at the last meeting at which time the Board indicated they wanted to continue billing. Ms. Ogletree stated that when referring to the final bill, that is the bill that shows the final usage at the residence and not necessarily the last bill they will receive. When they do go to a collection agency, they will also be sending notification. Chairman Monaghan emphasized the need to continue sending a bill. Ms. Gorham asked Chairman Monaghan if that meant CPW should still continue after the accounts are turned over to the agency and they are then sending notices; Chairman Monaghan responded that was what he meant because of incidents where we had not sent bills and it went on for years and the people forget. Manager Reeves stated that we would continue to bill until paid. Chairman Monaghan added that if they decided not to show the usage on the billing that would be alright, but they should show what is owed. Commissioner Watts stated concern about confusion once it is turned over to a collection agency and they send a bill, and then CPW also sends a bill, knowing who they should pay. Ms. Ogletree responded they would pay the collection agency; they could pay to us but we would still have to pay the collection agency. Chairman Monaghan agreed with the point made by Commissioner Watts. Mr. Patrick clarified that it might be less confusing at the point that it is turned over to the collection agency to bill up to the point you turn it over, but then they would supposedly pursue collection. If they turn it back over, maybe then you would start billing again. The Commissioners agreed that should be added to the procedure. Manager Reeves noted that Ms. Gorham had amended the language so that instead of referring to the "final bill" it is now the "final consumption after move out". Ms. Gorham noted that it was changed since the last meeting and was

different from the procedures the Commissioners had been given. Ms. Gorham explained how the change in wording would mean that the bill was for final consumption and not a final bill; CPW would stop sending that notice at the point that it is turned over to the agency and not before. Commissioner Watts asked if they had narrowed it down to a particular agency. Ms. Ogletree responded that after a lot of research, one had been brought in, and there had been a phone conference with another where they had viewed a web-based demo. Chairman Monaghan inquired as to why files are only sent once a year and not at some trigger such as 90 days. Ms. Gorham responded that files would be sent to the agency monthly with anything past due 60 or more days, on a monthly basis through June or July. The reason being because we would still be participating in the set-off debt collection along with the collection agency. After Chairman Monaghan noted that was not what the guidelines stated, Mr. Patrick clarified that maybe they should add something stating that they would send files to a collection agency monthly through July. Chairman Monaghan asked for clarification of the statement about the collection agency having approximately three months to collect. Ms. Gorham responded that it is before they get those accounts back to send letters concerning set-off debt collection from tax refunds. Mr. Patrick noted that debt set-off collection is an annual thing. Manager Reeves suggested deleting the second sentence in the guidelines since it is more of a comment than a procedure. Commissioner Watts inquired about the percentage charged by the collection agency. Ms. Ogletree responded that it would be roughly 35% – 50% depending on the agency. Mr. Patrick referred to the third sentence about accounts sent to the collection agency after July of each year and their not going to the Municipal Association until the following year. He commented that he did not think we would send them after July during the last six months of the year. He questioned if there is one that reaches that timeframe when you would otherwise have sent it to the collection agency but you still have time to send it for debt set-off, you would want to send it to debt set-off as long as there is time. Mr. Patrick suggested that if they were going to make further changes, they might look at that particular sentence and see how that applies. He added that it would seem the best chance to collect would be if you could get it to the tax commission. Ms. Ogletree responded that their rate of collection was pretty low as more people are using them to collect. Mr. Patrick asked if they would not want to get it in there for one that comes in and basically matures in September and there is time to get it in the tax collection line. Ms. Gorham responded that in talking with the collection agency, the timing of when the past due account would be turned over to them to give them sufficient time to get a letter to the customer and possibly get payment back in, if we stopped at the first of July that gives the agency three months (July, August, and September) to work

those accounts prior to us sending out letters. Mr. Patrick noted confusion with the last sentence and suggested they take a closer look because the first sentence makes it sound as if you would not send any to the agency after July of a calendar year; the third sentence then talks about those that you do send after July. Mr. Barnett asked if the collection agency is still owed the fee once we get them back to send to the tax commission. Ms. Ogletree responded that we could pull those back. Chairman Monaghan referred to three months and asked if the collection agency would be mandated for three months. Ms. Ogletree responded that three months was the time it would take to send the letter. Chairman Monaghan asked how long the collection agency is going to hold it before it comes back to us. Ms. Ogletree responded that they would typically work the accounts for a year. The idea is to have the collection agency work the accounts until the date that the files must be sent to MASC in order to use the tax debt set-off because they don't want both agencies working on the same accounts at the same time. After July 1, any new accounts would continue to go to collections but would not go to MASC. Ms. Gorham noted that our letters are sent to customers around the first of October informing them that they will be turned over to MASC. The actual files do not go to MASC until the first of December, but once you send that letter, the collection agency does not need to be trying to collect at the same time. Mr. Patrick added that should the letter work, we would not have to pay the collection agency for having collected through the letter. Chairman Monaghan noted that the guidelines needed more work to make them less confusing and clearer. Manager Reeves explained that if we look at 2008, we would have sent to the collection agency for January through July of 2008 for collection. All collections after July of 2008 would still go to a collection agency if we do not collect them through MASC but they will not go until after that process. Chairman Monaghan asked what would trigger sending a later bill to collection. Ms. Gorham responded it is anything that is sixty plus days past due with a final consumption account; if it is an active account they would be turned off. Chairman Monaghan noted that would be sixty days past due from final consumption because we are not supplying them anymore service. He asked that should that happen January 1, when would the collection agency be told not to bother anymore, we are going to take it over and send it to the state. Mr. Patrick asked Chairman Monaghan if January 1 was when the sixty days was up or the final consumption. Chairman Monaghan stated that it would be when it was sent to the collection agency. Ms. Gorham stated that they would be sent to the collection agency at sixty days; then they would pull those accounts back from the collection agency at the end of September prior to sending a letter to the customer about set-off debt. Chairman Monaghan asked if the collection agency can have January through August to work on until the end of

September. Manager Reeves noted that our letters must go to the customer on the first of October, and added that the timeframe was mandated and the process was set up by the set-off debt program. Mr. Patrick added that it is the state regulation to participate in the debt set-off program. Chairman Monaghan requested that be included somewhere in the procedure. Manager Reeves stated they would work on the wording to make it clearer. Mr. Patrick suggested adding an explanation of how debt set-off works as a footnote and not necessarily as a procedural step. Chairman Monaghan suggested they look at the wording in the last couple of paragraphs. Mr. Patrick suggested that the guidelines be sent for his review after the revisions were made. Commissioner Hancock inquired about collection of some big accounts that go way back; Manager Reeves responded nothing had been collected on those they had already shown them. Chairman Monaghan noted some that were shown as "hold for legal action" but nothing had been heard about any legal action. He inquired how long those would be held before initiating some type of legal action. Manager Reeves pointed out that as being one of the questions they had for the Commissioners in the original memo and provided examples. For instance, Metro would be participating so does the Metro Board need to address this as well. Another question once the direction is known there is with whether we would charge the customer for the collection cost; another was with whether we are going to pursue legal action, and if so, are we going to set a minimum before proceeding with legal action. He continued that they would also have to determine at what point to proceed with legal action, for example, with a customer owing \$1,000 or more. Chairman Monaghan asked management to come up with recommendations for the things noted. He referred to some over \$5,000 shown as "hold for legal action" and asked if it would cost more than \$5,000 to go after them. Mr. Patrick responded that certainly it would not although there is some cost going forward with a suit, but there is also the issue of whether you have any reasonable prospect of collecting. Just getting a judgment does not necessarily get any money. The fact remains that if a corporation does not have any assets, you might get a judgment for \$5,000 but never get any money. He added that there are probably some that we might have an opportunity to get something from as viable customers that could be pursued. Chairman Monaghan asked if it is worth the cost with somebody like C.C.'s Pizza; Mr. Patrick responded that he would guess that it would not be worth the cost with someone where it is a franchise situation set up as separate corporations and it is pretty clear that they do not have any assets, or that there are more liabilities and more judgments ahead of you. The Commissioners pointed out that a customer shown as late had since opened another restaurant under another name. Ms. Ogletree stated that there is a question as to whether he is managing or owning the other restaurant. Commissioner Watts asked if

Metro was involved at all at this point; Manager Reeves responded that they are not yet, but that any past due amounts owed to them would be collected at the same time and they should probably be a party to it. Mr. Patrick returned to the question about whether to charge the customer for the collection cost. He stated that it would seem that you should charge but they needed to make sure that in the part of customer agreement or contract should state that we will do so. Ms. Gorham noted that it was in there about the set-off debt and that wording should cover us, but she would check to be sure. Mr. Patrick suggested that Ms. Gorham send the customer agreement for his review.

VI. Other Business:

1. At the request of the Commissioners, Mr. Warner with the Economic Alliance agreed to provide an update during Executive Session.
2. Mr. Gentry reported that it was rather unusual to receive two grants in a row and expressed gratitude to all who had helped. Chairman Monaghan asked about the sewer side of the grant; Mr. Gentry responded that both were approved at a half million dollars each. Chairman Monaghan stated that the pay off was well worth it and commented on the cooperation between agencies to get the grants. Mr. Gentry acknowledged Mr. Chapman who was familiar with the process and very helpful, and Mr. Commetto who was also a tremendous help with translating. Manager Reeves stated for the record that the grant was approved in the amount of \$499,999 with CPW providing matching funds in the amount of \$230,000 which was included in the 2007 bond issue and the City would contribute \$49,999. He continued that the South Carolina Department of Commerce had added some language to the grant agreement and then read from the agreement, "Prior to the release of funds, the grantee must submit a commitment and schedule to analyze cost to operate the system and fund required maintenance and capital improvements to ensure the systems long viability. The grantee must also commit to adjust rates as appropriate based on the analysis. Closeout will not be issued until this condition has been adequately addressed." Manager Reeves explained that basically they are saying that we have to agree to have regular rate studies, noting that we already do, and if these studies say that rate increases are necessary, those will be addressed, which Manager Reeves noted that we also do, adding that it had never been a grant requirement and would be now, so this was reported to put the Commissioners on notice. Mr. Gentry then referred to a new ad to run for the next two to three weeks to gear up for fall/winter and to push gas incentives. Mr. Gentry reported on an energy conservation insert with tips to save energy in September and gas safety in

- October. Chairman Monaghan asked about coordination with Promised Land; Mr. Gentry responded that he would be giving a talk on energy savings the next week.
3. Manager Reeves provided copies of the State Budget Control Board annual rate comparison for water and sewer. He noted that CPW ranked in the bottom 13.8% coming in 33 out of 239. Chairman Monaghan inquired if this was inside city rates and Manager Reeves responded that it was.
 4. Manager Reeves advised the Commissioners that the health insurance reserve fund had again dipped necessitating a contribution of \$122,740.79 of which \$89,600.78 came from CPW and the balance from Metro.
 5. Manager Reeves referred to an e-mail notification that the gas market had taken a dip over the last few weeks, and of some subsequent gas purchases made as far out as June of 2009. Chairman Monaghan inquired if they were looking at "puts". Mr. Barnett responded that they are looking at them on every purchase.
 6. Manager Reeves presented a recommendation to engage Arbitrage Rebate Company for arbitrage calculations of the 2001 and 2003 bond issues at a cost of \$14,900. Chairman Monaghan stated that he would rather wait to take action in order to have an opportunity to go over the information. Manager Reeves noted that the same firm was hired when arbitrage calculations were done in the past. Mr. Barnett added that it is required every five-years on bond issues until the bond is paid off. Chairman Monaghan inquired why it must be done if all of the money is spent as required; Ms. Ogletree responded it is due to tax law required by IRS. Mr. Patrick noted that a qualified outside company must make the calculation; it is a requirement of the bond issue and other laws and IRS requirements.

A motion was made by Commissioner Hancock and seconded by Commissioner Watts to approve the recommended payment for arbitrage calculations; the motion was unanimously approved.

7. Chairman Monaghan inquired about the status of propane tanks. Manager Reeves noted that Mr. Barnett had put together a package with photographs to go out in anticipation of receiving bids in September.
8. Chairman Monaghan inquired about installing water for the County. Manager Reeves responded that pipe installation at Nations Road is 70% complete. Mr. Chapman noted they hoped to finish late next week and then

move to Highway 178. Chairman Monaghan inquired if funds would be left for Henderson Street; Manager Reeves responded they would not know for sure until they finish the project, but they are running a little ahead of schedule and there may be. He reminded the Commissioners that enough funds were included for Henderson Street in the beginning but the County has since added a little to these projects.

9. Chairman Monaghan inquired about work at the water plant. Mr. Chapman responded that Terry had begun work; electrical work was underway and setting up to pour concrete.
10. Chairman Monaghan recalled a letter from Jim Klauber around October of 2005 asking the City to annex some new buildings for Piedmont Tech. Manager Reeves responded that the City would not annex.

VII. Executive Session:

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

The meeting returned to open session.

Mr. Patrick stated that the Commissioners considered three matters during *Executive Session*. The first dealt with the bond issues that are issued by the CPW and there was discussion of the need to fund debt service reserve funds for three bond issues because the surety bond provider rating has been downgraded by Standard & Poor's and Moody's. The bond documents require the CPW to fund those debt service reserve funds over thirty six months if the downgrade of the surety happens as it has happened. He stated the intent of the Commissioners to make a motion to authorize management to fund the debt service reserve funds for the bond issues of 2001, 2003, and 2007 bonds in accord with the bond documents which provide for funding over thirty six months, and also to authorize management to use the services of Greenwood Capital to advise on the investment of the debt service reserve fund.

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

Mr. Patrick stated for the record that the total funding is approximately \$2.7 million over the thirty six months, or more closely is \$2.695 million. Also,

funding in accord with the bond documents would be to catch up from June when the downgrade of the sureties was made until the date of funding.

Mr. Patrick stated that the Commissioners were presented with a letter from the attorney for an employee of the CPW who had previously requested a grievance hearing, and that grievance hearing was scheduled but the employee failed to show up. The attorney on behalf of the employee has requested that that grievance hearing be rescheduled. Mr. Patrick continued that the Commissioners were advised that they are not legally required to reschedule that hearing; however, they are of the opinion that it would be the appropriate and courteous thing to do for the employee. The employee's attorney has asked to be present at the hearing. Mr. Patrick stated that it has been the long standing policy of the Commission that attorneys for management or for the employees are not permitted at the hearings and that each party is to present their information without an attorney being present. Therefore, the Commissioners are inclined to make a motion that the employee be granted a rescheduled grievance hearing to be held on August 28 following the regularly scheduled meeting of the Commissioners which is scheduled for 10:00 a.m. on August 28, and that in accord with the long standing CPW policy that neither party be permitted to bring attorneys to the hearing.

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

Mr. Patrick stated for the record that it has been and would be the practice of the Commissioners that the attorney for the Commissioners would be present to advise the Commissioners if they so choose, to serve as hearing officer but not to be an advocate for either management or the employee.

Manager Reeves stated that also during *Executive Session* discussion took place on a matter relating to health insurance. We are currently paying premiums of \$849.50 per employee per month which has created a deficit situation with the insurance reserve account. It is staff's recommendation that that amount be increased to \$1,286.18 and that that be paid per employee per month in an effort to avoid any future large requirements for funding the insurance reserve fund, and if the Board is in agreement, it would be appropriate to adopt a motion.

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

VIII. Ms. Sheree Brown with Utility Advisors' Network presented the 2008 Combined System Rate Study. She began with a presentation of electric system exhibits that included: an explanation of historical operating results; historical and estimated customer statistics; 2008 projected billing determinants and current base rate revenues; historical and estimated demand and energy requirements; 2008 projected purchased power costs; test year revenue requirement; electric system cost of service analysis; 2008 rate design and rate comparison. Ms. Brown then presented water system exhibits to include: historical operating results; historical and test year customer statistics; test year revenue requirements; allocation factors; allocation of test year 2008 revenue requirements; classifications of 2008 water system revenue requirement; 2008 revenue verification-existing rates; and a summary of proposed rates. Ms. Brown then presented gas system exhibits to include: historical operating results; historical customer billing determinants; test year revenue requirement; projected revenues; allocated cost of service; rate design; rate comparison; and pipeline demand charge adjustment clause calculations. At the conclusion of the rate study presentation, Manager Reeves asked for guidance from the Commissioners for a date to hold a public hearing to consider an increase in electric, water, and natural gas rates. Manager Reeves noted that from CPW's position, the sooner the better since we are already seven months into the calendar year. The Commissioners were in agreement to have Ms. Brown return to present the rate study at a public hearing on Friday, August 15, 2008, at 5:30 p.m. at which time they would consider rates increases to electric, natural gas, and water.

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

Approved: _____, 2008

Secretary