

**COMMISSIONERS OF PUBLIC WORKS**  
**Minutes of October 23, 2008**

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, October 23, 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	Curtis Burnett
Michael G. Monaghan	Ken Barnett	Jeff Meredith	Jay West
Henry O. Watts	Jeff Auman	Jeff Chapman	Bill Patrick
	Carlos Cometto	Stacia May	Rebecca Steifle
	Denise Ogletree	Vicki Knott	Jean Martin
	Jerry Smith	Jeff Elliott	Michael Nix
	Richard Gentry		Natalie Parramore

- I. Chairman Monaghan called the meeting to order.
- 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 as received for the September 11, 2008 regular meeting; and the September 25, 2008 regular meeting; the motion was unanimously approved.

IV. Financial Statement:

Commissioner Watts referred to the minutes of September 11, 2008 that noted a transfer of \$1.1 million made to the General Operating Fund and asked if that was shown on page 13. Ms. Ogletree responded that it would not be seen in the income statement because it is a balance sheet item that is transferred from one cash account to another cash account. She added that it would be reflected from restricted cash into operating cash if transferred before September 30. With no further questions, the financial statement was accepted as information.

V. New Business:

- A. Mr. Michael Nix with Greenwood Capital provided a quarterly investment report beginning with realized gains and losses through September 30, 2008 that are issues that had either matured, or were called or sold during the period, and showing when the issues were purchased, sold, and the proceeds, and the gain or loss from those transactions. After noting no particular concern, he referred to pages three and four showing an account statement

and a bond that came due in August, noting that the proceeds had not yet been put back to work at this point and are still only about 5% of cash position. He referred to state statute approved securities representing U. S. Treasury obligations and government sponsored enterprises (GSE's), or agencies; right now, there are about 25% U. S. Treasury obligations and 75% agencies. Mr. Nix referred to the performance report showing transactions and activity in the account from the beginning of the year through September 30, 2008 showing money that had come out in February; realized and unrealized gains and losses; interest received to date; change in accrued interest; managements fees; and ending portfolio value. Mr. Nix reported that everything is on track with cash flow with what was budgeted; the adjustment was made when the money came out in February but are on track with what was budgeted from the first of the year. The yield on the account is still running around 4.1%. Mr. Nix noted that funding on the required debt service reserve fund was started and a one-time funding done in September back to June; now it is set up automatically to put money into the debt service reserve fund at the end of each month. Mr. Nix commented on the extraordinary and unprecedented times seen recently with the market. He stated that those unprecedented actions in the market had impacted all assets whether it is equities, real estate, bonds, and treasuries all the way down the scale to the corporate bond market. With that yields have fluctuated largely and there are a lot of questions about the GSE's; they have always had an implied backing by the U. S. government much of which transferred some months ago; what we have now is the Treasury providing effectively a backstop, a more explicit backing of those GSE's in this environment. He explained how the funding requirements on the capital requirements for those GSE's are different than in a traditional lending organization like a traditional bank. They were really serving a government purpose by facilitating mortgage lending in the U. S. and that is their primary purpose. The capital requirements were different and as things began to unravel from a credit market, people started focusing in on those entities and saying they were undercapitalized. Mr. Nix stated that relative to other financial organizations they certainly were; so the government came in and agreed to provide that backstop so there should be no concern as it relates to these enterprises. He noted that there are still a lot of questions around that market, but from a state statute perspective and so far as use by political subdivisions and municipalities, they are still very prevalent. The government said they are so intertwined in our economy and financial system, that they cannot let them go away. Mr. Nix commented that it is one of those things that to the extent that you have a comfort level of the ability of the U. S. government just like they support U. S. Treasury lending obligations, they have a very high degree of confidence in the agencies. He continued that some provisions were

put into place by the Treasury and government going out one and half to two years and most people expect those to be renewed. Again, a lot is dependent on the administration that is in place at the time. Mr. Nix noted that they spend time looking at that and will continue to follow closely both presidential candidates and what the expectations are from policies around these GSE's. He stated that the impact of trying to move entirely to an all treasury portfolio certainly would be impactful from an income generation standpoint; a strategy has been maintained with this account that is more long-term (3 to 5+ years) coupled with short-term expectations around the end to first of the year set aside if needed for gas purchases with an average duration in the account currently at around two and a half years. Mr. Nix stated that it would be appropriate to at some point to look at the investment policy statement again to make sure everyone is comfortable with the policy statement as well as the issues that are being used; at that point in time a determination could be made as to whether they would want to start transitioning. Chairman Monaghan expressed concern with Freddie Mac and Fannie Mae investments; he inquired as to whether the amount carried in cash was insured. Mr. Nix responded that cash is in the treasury obligation money market account; it has been debted for state statute requirements and uses treasuries and basically repos and is a 100% treasury portfolio with no agencies. That is the same money market account as the bond proceeds are invested in as well. Commissioner Hancock commented on CPW bond ratings of either A or B adding that they buy up to get AAA to lower the interest rate on our bonds; he noted that in a hearings in the House of Representatives held the previous day they said that the bond rating agencies were doing the same thing as Fannie Mae and buying bad investments in homes they could not pay for. Mr. Nix stated that the rating agencies certainly had a lot of fault with what had transpired because effectively the rating agencies were packaging subprime mortgages (not Freddie or Fannie) and then turning around and selling those off and rating them as AA or AAA type of paper with an underlying subprime debt; so that in and of itself was a problem. He noted another issue that had occurred and caused a lot of disruptioning was credit default swaps (CDS's). CDS's original purpose was good purpose; they were set forth so that someone buying a corporate bond, like an insurance company for their portfolio, would then in turn buy a CDS to effectively insure that bond. What then happened was that there became a separate market for those for people who had no underlying interest in the bond issues they were protecting, just sort of trading swaps. That market proliferated because there was so much demand for the trading aspect; most of what was occurring was buying hedge funds; the credit default swap market was really what brought AIG down. A lot of the derivative securities are the crux of the issues and that has to work itself out. A mass of

deleveraging of the financial system is being seen in the market right now from the banks up to the hedge funds. The deleveraging process can be very painful and has moved into individual investors in addition to hedge funds; you are really seeing a high degree of perpetuation, some of it forced where people are having forced margin calls where you see company executives where most of their net worth was in a single stock. Then they used that stock to go out and basically leverage, or used the margin to diversify and buy other stocks. When those markets started to collapse, they were forced to liquidate that primary holding they had so you sold movements in individual stocks simply because forced margin calls, having to sell securities and really the fundamentals were going out the door. He stated that you almost have to be opportunistic in this market and look at equities, corporate bonds, and even look at agency bonds. Mr. Nix noted that this is an unprecedented environment; this market is different than any that has ever been seen. The way the market has reacted is very much like in the 30's, but the underlying fundamentals are much different. During that period, they were raising rates and not allowing trade and lowering rates. Commissioner Hancock noted that the problems now are worldwide. Mr. Nix stated that in this unprecedented environment in which most people need to sit back and recognize that we are going to emerge and try not to go into a state of panic or fear as it relates to assets. Nobody knows when we will come out so it is prudent to be defensive and recognize that we have to put some money away for potential hard times. Mr. Nix noted that all of the issues related to the market and credit markets are really separate from the economic challenges we face. While we are getting the credit issues clarified, we are just now going to the downside of the economy where they are expecting four quarters of negative GDP growth starting with the third quarter; that in turn is something else that will be forthright in everyone's mind with corporate earnings and fundamentals from that standpoint; it will likely be the second half of 2009 before we start to pull out of that. Mr. Nix concluded by suggesting they go through investment strategy and policy statements in more detail at a more appropriate time.

- B. Manager Reeves presented a recommendation to approve a Red Flag Plan document that was just brought to our attention within the last few weeks. He stated that there is a mandate to adopt the plan prior to November 1, 2008, and explained the plan that is for the prevention of identity theft and to provide measures for staff to make sure customer identity is protected. He noted the possibility of amendments at a later date. Manager Reeves referred to a board resolution included in the plan that would state the date the plan was adopted.

A motion to adopt the plan and resolution as presented was made by Commissioner Hancock, seconded by Commissioner Watts, and unanimously approved.

- C. Manager Reeves presented a recommendation to accept the low bid from QEI, Inc. in the amount of \$48,604 for SCADA upgrades for the electric department. He noted that Mr. Meredith had previously explained the benefits and functionality of the upgrade. He added that annual maintenance of the software is much less than with the current package.

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

- D. Manager Reeves referred to a RFP that was put together at the request of the Board for consideration with selling the Grace Street property in the anticipation of development as commercial property and park property. Manager Reeves noted that the Board requested provisions be included in the package that would allow for a developer to bear the cost of developing a park, and that provision had been included.

A motion to proceed with the RFP as presented was made by Commissioner Watts and seconded by Commissioner Hancock. Manager Reeves asked for direction with timing of sending out the RFP. After discussion, the Commissioners determined the proposals would be opened at the first bid opening in February 2009. Chairman Monaghan stated that he would vote against proceeding with the RFP after expressing belief that the park should be open access to all public and should be publicly owned. The motion passed by a vote of two to one, with Chairman Monaghan voting "no".

- E. Mr. Gentry noted that the Commissioners had received e-mails about the Christmas parades and expressed hope that they would participate in all three.

## VI. Other Business:

- 1. Manager Reeves noted a request from a customer to reconsider the water leak policy. He explained that current policy states that there is a minimum amount of \$150 inside the city or \$300 outside of the city to qualify for consideration of a reduction in the bill. He continued that it only applies to the previous month; this customer had a leak that does not meet the dollar limit, and had been about \$60 per month for three months in a row. Manager Reeves recommended leaving the policy "as is" and asked for guidance from

the Commissioners. Chairman Monaghan inquired about the incidence of these types of water leaks. Manager Reeves responded that it was not very often, adding that anytime there is a leak, the consumer has some responsibility to be watching their bill and not let a leak occur for three or four months before reporting it. Chairman Monaghan inquired about a time limit to ask for a refund. Manager Reeves responded that there was no limit on the time they can ask, but would only be applied to the one previous month. He clarified that a leak resulting in \$100 per month for three months in a row would not be added together to make it a \$300 bill; it would have to be over \$300 in that one previous month. Commissioner Hancock stated that he would be more inclined to help had they ever made any money on water. Chairman Monaghan noted they did that month; Manager Reeves added they had according to the audit report from last year. Commissioner Hancock noted a drop of 2 million gallons since 2005. Mr. Chapman commented that if they did not notice the leak the first month, it would be hard to determine whether they had actually used the water or if it was indeed a leak. He stated his understanding of the policy as being written for one month back because if you get a bill that is outside the norm, most people would try to figure out what is going on rather than waiting three months to call. Commissioner Hancock asked about a trigger to reread the meter. Ms. Gorham responded that there are a lot of factors depending on the time of year, whether it might appear someone might be using more water for a pool, etc. The Commissioners agreed that no changes were needed to the policy at this time.

2. Manager Reeves acknowledged annual service award information was received that same day, and asked for guidance with whether to proceed. Chairman Monaghan requested that it be placed on the agenda for the next meeting.
3. Chairman Monaghan opened discussion of fees for lighting pilot lights. He expressed the opinion that maybe they should not charge if there is no other work done other than to simply light a pilot light; if any other work is required, then there would be a charge. Commissioner Watts asked about the amount of fee; Manager Reeves responded that the charge is currently \$55 to come out and light a pilot light. Mr. Patrick inquired about frequency and whether this had to be done for some customers more than once a year. Commissioner Hancock noted that sometimes there could be a draft condition such as opening a door that could cause it. Manager Reeves clarified that sometimes customers request their gas be cut off for a period of time, such as summer, and then reconnected in the fall. Chairman Monaghan stated that in that case, it is a re-establishment; he was referring to customers who are currently using gas and their pilot light goes out. Commissioner

Watts inquired as to whether this would apply to calls made both during hours and after hours, noting that someone may not notice their pilot light had gone out until they come home from work in the evening. Chairman Monaghan stated that it could apply to both, and suggested that perhaps it could be limited to twice in one year per customer. The Commissioners agreed to monitor the situation and to make changes later if needed.

A motion to waive the fee charged to light pilot lights was made by Commissioner Hancock, seconded by Commissioner Watts, and unanimously approved.

4. Chairman Monaghan commented on the hiring process noting that it needed to be as open and inclusive as possible. He continued that when an ad is placed in the paper, only those things that are critical to explain the nature of the job and the requirements we are seeking should be included. He stated that he did not care for the last ad and thought it might be exclusive to some people looking at it, and if they wanted to put in that we would give preference to someone with an operator's license that would be fine, but he did not like the wording of this ad. He added that a reasonable person might say they were not qualified and then not bother to apply. Chairman Monaghan asked staff to look at some way to have a more open and inclusive type of ad that would encourage people because we could be missing some good candidates. Commissioner Hancock noted that a person has to be trained with most jobs anyway; if you don't have an operator's license and have a driver's license, you can get an operator's license. Chairman Monaghan noted that the ad stated that you could get the license within a year and he did not like that wording. Manager Reeves provided copies of the ad Chairman Monaghan was referring to for the benefit of the other Commissioners. Chairman Monaghan noted that he had not seen the electrical ad run again, only the water ad, and inquired about the electrical ad. Ms. Knott responded that the job was still open but the ad is not currently being run. Chairman Monaghan asked why; Mr. Meredith responded that they are in the process of interviewing and have plenty of applicants from which to choose, so he had not asked Ms. Knott to repeat the ad for that reason. Ms. Knott noted that the ad referred to by Chairman Monaghan had started that past Sunday with 28 applications received as of yesterday. Manager Reeves referred to Chairman Monaghan's question about the ad where it stated "requires possession of a valid CDL driver's license within one year of employment, possession of asbestos operations and maintenance certificate, or able to obtain within one year of hire, and must possess a Class D water distribution operator's license, or be able to obtain within one year of hire". Chairman Monaghan stated that when a guy comes in that you think

you're going to hire, you tell them the requirements when you interview them. He stated that a reasonable person might look at this ad and think they are not qualified and not apply. Manager Reeves stated that they would yield to the pleasure of the Board and expressed that it was done in fairness to the applicants, to let them know the requirements coming in; he expressed some concern with getting applicants in that would then look at this and say that they wished they had known the requirements because they would not have applied, pointing out that it could go either way. Commissioner Watts asked Chairman Monaghan if he was talking about deleting the part stating "must possess"; Chairman Monaghan responded that was what he meant and suggested language be used like "preference would be given to someone with these certifications" and added that he had a problem with saying "must". Mr. Chapman commented that he did not have a problem with it being in the advertisement or not; Chairman Monaghan responded that was good because he was not making the decision. Mr. Chapman responded that he understood that, but he was trying to explain the logic that went into why it went into the paper that way, and that was because it was in the position description approved by and coming from Dr. Archer; the reason it went out that way was because they tried to include all of the information available. Chairman Monaghan stated that he did not agree. Mr. Patrick clarified the point made by Manager Reeves as wanting people to understand that if they do not think they would be able to get these, they may not want to apply; and the point made by Chairman Monaghan about not wanting to use language like "requires" or "must" because someone may read it that way. Mr. Patrick suggested that it might be reasonable to say "successful applicant will within one year of employment be able to obtain CDL, asbestos operator's license". He continued that if the emphasis is put on "within one year" that might address both concerns. Chairman Monaghan agreed that would satisfy his concern. Manager Reeves noted a discussion the previous day with Ms. Knott about changing the wording to make it clear upfront and not at the end of the statement because you don't want them to read "must possess" and then not read the rest. Mr. Patrick stated that the wording could be changed to make it work for everybody. Manager Reeves clarified with Chairman Monaghan if it would be ok to leave the different requirements in as long as it is reworded. Mr. Patrick suggested that the ad might be changed to state "successful applicant within one year will be required to have...and then list those three things". Chairman Monaghan agreed with the language suggested by Mr. Patrick, and added that he had not been happy with ads over the last eight years. Commissioner Hancock stated that they want to be equal opportunity employers and that is what they had tried to do the whole time.

VII. Executive Session:

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

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

Approved: \_\_\_\_\_, 2008

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Secretary