

**COMMISSIONERS OF PUBLIC WORKS**  
**Minutes of July 23, 2009**

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, July 23, 2009 at 5:00 p.m., in the Boardroom at 121 West Court Avenue.

**In attendance:**

Gene P. Hancock	Steve D. Reeves, Jr.	Jeff Elliott	Michael Nix
Michael G. Monaghan	Ken Barnett	Vickie Gorham	Jean Martin
Henry O. Watts	Jeff Auman	Jeff Chapman	Rebecca Steifle
	Carlos Cometto	Richard Gentry	Stacia May
	Denise Ogletree	Jerry Smith	Kathleen Ficklin
	Jeff Meredith	Chris Lindley	Lee Roper
	George Petersen	J D Tolbert	Chris Trainer
			Mark Warner

I. Chairman Hancock called the meeting to order. The invocation was given by Ken Barnett.

II. Chairman Hancock 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 and seconded by Commissioner Watts to approve the minutes of the regular meeting on May 14, 2009, and the regular meeting on May 28, 2009; the motion was unanimously approved.

IV. Financial Statement:

Commissioner Monaghan inquired about \$309,000 of bad debt that showed up in June. Ms. Ogletree responded that the write-offs are done quarterly and would have been done in June. He asked if that entire amount came in one quarter. Ms. Ogletree confirmed that was correct. He noted only \$31,000 in the previous quarter and compared last year at this time when there was only \$36,000 worth of bad debts, and right now there is \$342,000. Ms. Gorham responded that she would need to check those numbers; however, the plan is to start writing off monthly so that it gets turned over to the collection agency sooner. He asked if \$36,000 for the first six months of last year was correct; Ms. Ogletree stated that it may have been that Ms. Gorham did not write-off until July rather than in June of the previous year. Ms. Gorham added she would check the write-off dates as compared to this year. Commissioner Monaghan stated that it would seem there

would be more in January, February and March when it is so cold; Ms. Ogletree responded that they are written off after ninety days. Commissioner Monaghan indicated understanding. Commissioner Monaghan noted a significant drop in customer site work from last year. Ms. Ogletree commented that the numbers are correct, adding that the gas department could find out if there was a decrease in the number of work orders. Mr. Elliott noted that work orders had curtailed, construction was also down, and a reduction had been seen in the number of customers who had signed up for service work on yearly annual furnace contracts. Commissioner Watts asked if electrical sales to the City were over budget due to annexation or new services to the City. Ms. Ogletree responded that it may simply be weather related because it was unusually hot in May and June. Mr. Meredith noted that the annexation sales are just to the City. Manager Reeves added that it is shown as a line item named "The City of Greenwood", not as an agency and not within the City of Greenwood. Ms. Ogletree pointed out that residential sales were also higher. With no further questions, the report was received as information.

V. New Business:

A. Ms. Steifle with Countybank thanked the Board for the business relationship, noting everything still running smoothly and continued work on implementation of new things. Mr. Nix with Greenwood Capital Associates provided an investment report through June 30, 2009, and noted an additional account report for the revenue bond fund. He recalled that revenue bond proceeds for 2007/2008 were originally put into a federated treasury obligation money market account and as rates came down, they began evaluating other direct investing options with staff in April of 2009. He referred to a one-page report showing current assets for the account noting no real realized gains or losses since it had not been on the books for very long. He referred to investment account 1802, the realized gains and losses report, showing bonds that matured, called, or otherwise sold during the period, corresponding realized gain or loss to original cost, any income, and net gain or loss with income. Mr. Nix referred to a list of current assets in the portfolio entitled "Unrealized Gains and Losses" that are effectively the assets currently in the account. He noted a mix of statute approved investments including US Treasury bonds and US Agency bonds based on a mandate back in September of 2008 to stop investing in agencies and focus primarily on US Treasury bonds. He continued that they had started buying treasury bonds, and had opened back up to buying treasuries and other statute approved investments since the improvement in the credit markets. Mr. Nix stated that treasuries would likely be reinvested in other areas of the market because not a lot of value is seen in US Treasuries at this point in time.

He referred to page 4 of the report entitled "Performance Report" showing a snapshot of activity in the portfolio for the first six months of the year ending June 30, 2009; the beginning value on December 31, 2008; withdrawals; and realized and unrealized gains. He pointed out unrealized gains over the years with different interest rate cycles where rates are going up and coming back down. He expressed that they should keep in mind with bonds that are held that as rates are going up, bond prices go down. What you are seeing in unrealized gains is where rates started going up, particularly in longer areas of curve, those values have come down; that is the price sensitivity and not really a reflection of the underlying fundamentals of the issue of the bonds, and is really just reflective of the interest rate cycle. Mr. Nix referred to the ending portfolio value on June 30, 2009 of \$9,023,972.63 and accrued interest of \$91,224.84. He stated that from a yield curve perspective, rates for one to two years are very low right now and are expected to stay low for an extended period of time. He stated that they would stay fairly short because of the belief that rates will continue to move up a little, particularly in the five to ten year and out range as they continue to look at opportunities. Mr. Nix stated that they want to reinvest at higher rates when they do move up; it is just a matter of strategically positioning bonds in the portfolio so that when they do mature, those can be reinvested at higher rates. If they felt rates would start coming back down, they would probably be more aggressive on trying to move out a little bit and locking in rates and holding that for a multi-year period of time. Mr. Nix referred to the last report for account 1975B (CPW Revenue Bond Fund) noting that assets are just now being put to work. He pointed out a SC State Municipal bond in the portfolio, adding that they would not typically buy a municipal bond in a non-taxable account because you would only buy them for the tax benefits; however, in certain areas of the market, municipal rates are higher than the comparable tax rate of a treasury bond, so it is a statute approved investment. To the extent that additional yield can be picked up by using those instruments, they would as long as they stay true to statute requirements. He concluded that they are working to get this money invested and matching draw schedules to maximize interest earned over the life of the account and the bonds. Commissioner Monaghan asked about the draw schedule requirement of \$2.5 million in cash. Mr. Nix responded that funds were received on April 27; they are putting that money to work a little slower because of a creeping up of rates; it was kept in a money market account and moved over. He stated that it should be more fully invested by the next report to more directly reflect the expectations of the withdrawal.

- B. Mr. Warner noted an announcement by Fuji on the previous day that is projected to add 185 jobs. He continued that activity is still fairly good with

business moving forward. Commissioner Monaghan noted that the Partnership Board had approved the new budget for the coming fiscal year and commended Mr. Warner for a job well done with tightening up spending. He added that it was one of the lowest budgets ever seen.

- C. Manager Reeves asked for guidance from the Board going forward with whether to fund GASB 45 at the current time or to wait. He stated that from a staff standpoint, the preference is to see it funded at some point in time whether that is currently, during the next budget year, or even later. Commissioner Watts asked if funding would have an effect on rate increases. Manager Reeves responded that after completion of a mid-year budget review, additional funding was found that was not anticipated when the budget was prepared initially and that would allow some funding currently. He continued that whether that could rollover into next budget year and exclude a rate increase is yet to be determined. He stated that as the budget process begins next month, there should be a better feel for that but could not tell them now that it would not require a rate increase should they fund an extra \$1 million for GASB 45. Commissioner Monaghan expressed the opinion that they should wait to see if there is a resolution to the health care bill; if a bill is passed that substantially reduced the cost of health care that would affect the amount of money needed to fund GASB 45. Chairman Hancock added that a democratic congressman has said that nobody had the money to fund and they were thinking about postponing it for a year. However, it would have to be funded regardless, it is just a matter of when and how much. Commissioner Watts suggested funding at least partially this year; Chairman Hancock noted that if we do not, we would get behind and if a bond is needed, it would cost more to buy bonds. Commissioner Monaghan suggested setting something aside in the investment portfolio that would be earmarked for this purpose. He stated that once you fund, it goes into an irrevocable trust. Commissioner Watts pointed out that the money could still be used when you pay off retirees so it is not lost money, and reiterated that at least part should be funded now. Manager Reeves reminded the Commissioners that Laurie Smith had mentioned during the audit report that they have not found any of their municipal clients funding because they do not have the money. The downside is that with capital needs going forward in the next year or two, we would be back in the bond market and if it has not been funded or some effort made, we are going to be significantly downgraded and would pay at that time. Commissioner Monaghan asked about waiting to fund until a revenue bond is needed. Ms. Ogletree responded that if you have a plan for it and have the money set aside in the budget; Commissioner Monaghan stated that you would have it earmarked in the investment portfolio where the money is earning interest and

dividends. He added that he was fearful of putting it into an irrevocable account and then having the whole situation change. Chairman Hancock stated that it would have to be funded. Commissioner Watts stated that he did not want to get into a situation where a big rate increase would be necessary to fund. Commissioner Monaghan stated that would not happen if a reserve was kept. Commissioner Watts suggested funding \$500,000; Manager Reeves stated that would be a good start; however, it could still mean that come budget time, they might need to look at either a rate increase, or a decrease or eliminating the funding of GASB. Mr. Roper asked about the requirement amount; Ms. Ogletree responded that it is almost \$1.2 million. Commissioner Watts stated that funding part would show good faith.

A motion to fund \$500,000 to GASB 45 was made by Commissioner Watts and seconded by Chairman Hancock. The motion passed by a vote of two to one with Commissioner Monaghan voting "no".

Chairman Hancock explained that GASB came from unions who had not put money aside to pay employee pensions; it was a mandate from the government who comes along and tells us that we have to fund; none of the cities have the money to fund. A congressman has said that it should be put off for a year, but even then it still has to be funded. If it is not done, it will affect borrowing cost and still have to be paid sooner or later. We have been paying these costs all along with no problems, but yet they are telling us now that we have to fund it out for twenty or thirty years. Commissioner Monaghan pointed out \$9 million in unallocated reserve that seems like a goodly amount of money to back up any expense without raising rates. He pointed out that they did not fund a pay raise for employees this year. Commissioner Monaghan then expressed that putting something into an irrevocable trust that we may not have to use is not good stewardship. Ms. Ogletree stated that the total liability allocated for twenty years is twice what we have in investments; at some point, if we don't want to drain investments down to zero, since we rely on some of the earnings off those investments for operations. Commissioner Mongahan asked if this was a technical comment or a local policy comment. Ms. Ogletree responded that it was a technical comment and continued by asking if it would go through SC Orbit. Manager Reeves stated that a decision would have to be made as to whether to go through SC Orbit, noting that no proposal was heard from Greenwood Capital about setting up a trust for this account, and further recalled that Mr. Nix had recommended using SC Orbit. Manager Reeves noted that a motion was made to fund, but until a trust is set up, there is no place to put the money. He suggested that a contract from SC Orbit be brought to the Board for consideration at the next meeting.

D. Mr. Smith recalled a presentation back on April 9 regarding the gas light tariff. He stated that the objective of the tariff was to resolve the issue with existing gas lights that are currently on the electric light rate that underrecovers the cost to serve them. He continued that they received direction from the Board on April 9 to look at the cost to install metering for all applications, and the cost was estimated at \$5,800. Then as they investigated further, a number of complications were discovered, and all were associated with the homeowner's association that operates a neighborhood gas light system taking on responsibilities that are downstream of a gas meter. If a gas distribution line were installed to enable metering and serves two gas lights downstream, they would have to take on the responsibility of the gas distribution system because it is behind the meter. Mr. Smith stated that they found that a homeowner's association cannot extend a gas line under a publically owned road so in a number of cases where that \$5,800 estimate could have easily put in one meter and connected under a road to other gas lights across the street, instead would have to put in two meters and two feeds which would increase the cost. Mr. Smith stated that because of that, a second meter would also require a second facilities charge so that would increase the cost by \$120 per year per meter. Again, it would also require the homeowner's association to take on the responsibilities of the liabilities associated with maintaining the distribution system. With that new configuration in many cases requiring two meters rather than one, the cost to install is \$7,600. Mr. Smith stated that due to those complications, they reverted back to modification of the initial approach which was to utilize meter data for metered customers for approximately four customers that currently have meters, and use estimates for customers who do not have meters, and then apply the rates to those estimates. He noted that estimates are based on manufacturer's performance data for gas lights and have been validated with natural metered data. He noted that the gas light tariff that is proposed would use the residential rate structure for both metered and unmetered customers, utilizes metered data where available, and in case of unmetered applications, would calculate the estimates using manufacturer's data and those would be programmed into the AS/400. Mr. Smith stated that the proposed tariff would require that all new gas lights be metered. Commissioner Monaghan asked about the rationale for using an electric rate for a gas meter. Mr. Smith responded that it was prior to his coming to CPW, but there was a right electric rate available and the idea was that rate approximated the cost to operate gas lighting. Back then, maybe ten years ago, the rates were comparable. Commissioner Monaghan asked if it is more expensive to run a gas light. Mr. Barnett stated that between that time and now with the fluctuation in gas prices, it is different; originally when the

rate was first used, there were only one or two gas lights out on the system; it has since increased. Commissioner Monaghan asked if this would discourage the installation of gas lights. Mr. Smith responded that they would find out whether this would encourage or discourage; they are trying to encourage the use of metering. In the case of these homeowner's associations, they will have an increase in cost. Manager Reeves noted that not everyone would see an increase, only the unmetered. The metered customer initially showed a slight decrease. Mr. Smith stated that with the initial scenario there was a slight decrease because they did not build the discount into the rate. With this scenario, they were modeling the residential rate so a metered customer could still have a slight increase. The increases are between \$30 and \$140 per month depending on the number of lights; the increase is the underrecovery amount. Mr. Smith added that they would likely be maintaining lights for new applications where they do have a meter. Commissioner Monaghan asked if they would like to see more residential locations for gas lights. Manager Reeves responded that we would like to see an increase in usage, but not if it is causing a loss in revenue, and that is where the problem is because of underrecovery. If we are going to continue to underrecover, we would not want to see an increase in usage. Commissioner Monaghan asked if residential would be metered; Manager Reeves stated that all future applications would have meters. Commissioner Monaghan asked about current; Mr. Smith responded that it depends, if you want a gas light in your yard, it would go on your meter, but that is different than a neighborhood gas light. Commissioner Monaghan noted that the neighborhood entrance light is like an advertisement for gas lights, and if the object is to encourage residents to get gas lights maybe we would not want to have all of the associations shut off their gas lights. Mr. Smith stated that with the way the rates are, if you wanted to put a gas light in your front yard, the cost would be the same as your homeowner's association operating system because it is the same rate. Commissioner Watts asked about the approximate cost for a gas light to someone who did not have any other gas appliance. Mr. Smith responded it would probably be around \$30 per month. Mr. Smith recommended adopting the new tariff where you would have to select a new rate code. He noted that the homeowner's associations would be notified of the new rate, and explain that the under recovery is being corrected, and impact varies by customer depending on the number of lights. He stated that separate maintenance contracts options would be developed to address customers that would like to have CPW maintain and repair their gas distribution systems. Commissioner Monaghan asked about current cost of under recovery. Mr. Smith responded that it is around \$600 per month total. Commissioner Monaghan asked about the number of homeowner's associations with gas lights. Mr. Smith responded that there are eight; four that are metered and

four that are not. Chairman Hancock stated that an entire subdivision cannot be metered off one meter because of the fact that it is too long; the gas would not get from one meter point to cover the other lights. Mr. Smith noted that it would depend on the application. He continued that they initially took the four unmetered sites and working with Mr. Elliott's group drew some diagrams of locations of current pipes, and where pipes need to go; that was how cost designs were developed. It was very straightforward with half, in the other half it got complicated because of having to run new lines through to connect all of the gas lights. It is much easier if a developer knows the requirements for metering going in so they can configure it to be set up for that. Chairman Hancock asked if a public hearing was required. Manager Reeves stated that there is no legal requirement for a public hearing. With this rate tariff, the rates are the same as residential rates and they are only designating this to be a separate tariff.

A motion to approve the gas light tariff was made by Commissioner Watts and seconded by Chairman Hancock. The motion passed by a vote of two to one with Commissioner Monaghan voting "no".

- E. Chairman Hancock presented a recommendation to accept the low bid in the amount of \$24,000 from Pumping Machinery LLC for overhauling two vertical turbine pumps at the water treatment plant.

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

- F. Chairman Hancock stated that Metro had asked CPW to approve a utility easement of 25 feet and a temporary construction easement of 15 feet across the City Pond property for the construction of the sewer line to that site. Since the time that Metro had approved the easement in a public meeting, Metro had contacted each of the Commissioners regarding a disagreement over the easement conditions. Chairman Hancock referred to a letter from Mr. Brian Waldrep and Mr. Carlos Cometto where Metro is asking that the contractor be allowed to clear cut both the permanent and temporary easements. Since this is in disagreement with the easement conditions, a public vote is necessary.

A motion to ratify the change to the easement agreement was made by Commissioner Watts and seconded by Commissioner Monaghan. Commissioner Monaghan clarified that clear cut would be an overstatement; he expressed what was happening as being that where they had to terrace because of dampness, some selective trees larger than six inches would be

cut, but not a clear cutting. He added that whatever is done is done. Chairman Hancock noted that those trees could not be saved, but those that could be saved were saved. Commissioner Watts noted a visit to the site. With no further discussion, the motion was unanimously approved.

VI. Other Business:

1. Manager Reeves recalled a question at the last meeting as to whether two specific accounts were being billed. He reported that Greenwood Toros is being billed directly to the Toros through an individual; the other was the Community Garden and the pump in the creek is gasoline powered.
2. Manager Reeves announced approval of the 2009 CDBG grant in the amount of \$499,999 for the third consecutive year. Currently, we are standing at right at \$1.5 million in CDBG grants. He recalled other bond issues and local matching funds over the last six to seven years totaling right at \$10 million dollars invested on water system improvements alone. Commissioner Monaghan commended staff for the amount of work that goes into obtaining grants. He asked for a description of the lines that are being replaced. Mr. Chapman explained that these are galvanized lines that are approximately 70 to 90 years old; they are supposed to be 2-in. in diameter but due to tuberculation of the lines, the minerals leaching out, and rust, the effective diameter in some cases is less than ½ in. causing low water flows. These areas were identified for line replacement to improve water quality and flow. Commissioner Watts added that they also included fire hydrants for fire protection. Mr. Chapman agreed that fire protection can only happen on a 6-in. or greater line; these lines were never designed for fire flow when installed. Commissioner Monaghan noted that this type of upgrade also affects insurance premiums. He asked for the names of the individuals who participated in the grant process to make this type of upgrade possible. Manager Reeves responded that it was Richard Gentry, Jeff Chapman, Carlos Cometto, Brian Ward, David Sweatt, Michael Tyler, Dennis Miller, Scott Boggs, Matt McCoy, Jason Dunton, and Ruth LaForge at Upper Savannah. Chairman Hancock explained that all of the textile mill villages were outside of the city limits of Greenwood. When they were selling the houses CPW consented to take in everything the mills owned; they had put in pipes anywhere they wanted, under foundations of houses, under retaining walls and everywhere. He continued that not only is CPW maintaining those lines, but also all of the well systems out in the county, etc., and is going out and doing all of those galvanized lines too when DHEC makes them go onto a water system. He pointed out that they are improving the whole system, not only inside of the city but also outside of the city. He recalled years ago that

the city limits of Greenwood was small with not a lot of growth over time, except for the textile villages. He noted that some buildings had been around for 100 years so those pipes had been in place for a long time. He stated that during the war, any kind of pipe was used that they could stick in the ground because copper and other things were rationed. Chairman Hancock stated that is what CPW is now in the process of replacing along with sewer lines. Manager Reeves provided a handout from Mr. Cometto's staff that is being distributed in these neighborhoods to keep them informed of what is being done. Commissioner Watts noted that Mr. Cometto takes him out weekly to various job sites and that he had learned a lot about water. Manager Reeves referred to a map showing current projects as well as those planned for the new CDBG grant.

3. Manager Reeves informed the Commissioners of the need for a pre-bid meeting date for the new CDBG project preferably around the end of August. The Commissioners agreed on August 27, at 3:00 p.m., at the central operations center.
4. Manager Reeves provided copies of the most recent internal control reports.
5. Commissioner Monaghan inquired about input from the federal lobbyist; Manager Reeves responded that nothing had been gained at this point, adding that it is probably time to rattle his cage.

VII. Executive Session:

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

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

Approved: \_\_\_\_\_, 2009

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Secretary