

**COMMISSIONERS OF PUBLIC WORKS**  
**Minutes of March 26, 2009**

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, March 26, 2009 at 5:00 p.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	Jeff Meredith	Michael Nix
Henry O. Watts	Jeff Auman	Jeff Chapman	John Wiseman
	Carlos Cometto	Richard Gentry	Curtis Burnett
	Denise Ogletree	Vicki Knott	Chris Trainor
	Jerry Smith	Jeff Elliott	Stacia May
	William Hawkins	Danny Polatty	Matt McCoy
	Jody Patterson	Charles Clinemyer	

- I. Chairman Monaghan called the meeting to order. The invocation was given by Ken Barnett.
- II. Chairman Monaghan gave the statement of compliance with the notification provision of the Freedom of Information Act.
- III. Manager Reeves acknowledged the presence of several water department employees who had participated in the water tapping contest at the state Environmental Conference. He expressed congratulations on behalf of the Board for their placing first in the state water tapping championship, and noted that this qualified them for a visit to the national conference. Manager Reeves recognized William Hawkins, Matt McCoy, Jody Patterson, and Charles Clinemyer for their efforts and for representing CPW. He stated that the main trophy would go at the COC. Manager Reeves also recognized Danny Polatty who had participated in the state meter assembly competition, coming in second and barely missing first place by 4/10 of a second. Mr. Chapman noted this was actually the third time that CPW had placed first in the state tapping competition.
- IV. A motion was made by Commissioner Hancock and seconded by Commissioner Watts to approve the minutes as received for the February 12, 2009 regular meeting, and the February 26, 2009 regular meeting; the motion was unanimously approved.

V. Financial Statement:

Commissioner Watts inquired about the status of the debt collection process. Ms. Ogletree responded that the last date they were given was April 6. Commissioner Watts noted that water revenues looked good with the exception of commercial and industrial, and inquired about the loss of major industries. Mr. Chapman stated that he was only aware of Solutia. Commissioner Watts commented on a decrease in gas revenue for commercial and industrial customers. Ms. Ogletree responded that a listing of gas customers could be shared with Commissioner Watts that would show the declines, with the largest being Solutia, and some from Fuji. Commissioner Hancock inquired if a line would be looped for water system improvements shown on the COC Planning Report as Conner Road and Miller Road. Mr. Chapman stated that the Miller Road project would loop a line, adding that these are replacing some of the small galvanized lines. Commissioner Hancock noted 9,409,000 in water sales on an average day and 11 million on an actual day with volume still going down. He noted a loss of industry adding that and unless new industry comes in, nothing can be done about that; it affects both water revenues and sewer. Chairman Monaghan commented on expenses shown on the financial statement of more than \$1.3 million in just two months; Ms. Ogletree responded that came directly from the "gas purchased for resale" line. Chairman Monaghan noted income was only \$67,000 under budget, and expenses were at \$1,340,000 under budget, making it look like we are in good shape. Ms. Ogletree responded that the water department in general appears \$124,000 better than budget overall; but, if you look at gas, some expenses are down because salaries and fringe benefits are posted or recorded in capital items. She continued that was still not the biggest part; gas purchases are down, but the offset would be a decrease in gas revenue for the portion of the charges that include the PGC. Chairman Monaghan stated he was trying to determine whether we are going to have a better year than was forecasted in the budget. Ms. Ogletree commented that it was too early to say; Manager Reeves added that this would also reflect the higher than normal gas sales during the later part of December and early January because of the colder weather. Commissioner Hancock pointed out that December and January were estimated for the budget, and asked Ms. Ogletree to give them a better idea of where things stand now that actual numbers are available for November and December.

VI. New Business:

A. Mr. Michael Nix with Greenwood Capital provided a report on the investment portfolio. He stated that the Board had requested continued

dialog on investments for the various accounts. He pointed out that the bond proceeds account is currently in a money market account with Countybank Trust, and Greenwood Capital had not been involved in the management of that account. Mr. Nix stated that the yield had gone down to almost zero as a function of the current interest rate environment with approved investments in money market accounts that are primarily treasuries. He suggested looking at other options to generate some interest again using approved investments, and recognizing that those are short-term funds which define draw down periods. He stated that Ms. Ogletree was presented with a couple of scenarios whereby the money might be moved from the money market into an individually managed account to match the drawdown schedule of the next eighteen months. They had looked at how it could be invested and the different levels of interest income that could be generated. They first looked at a pure treasury portfolio and more matching duration to allow them to generate additional income. Mr. Nix stated that they looked at agency bonds that had caused concern from some of the Commissioners with certain issuers, and although they were approved investments by statute, those had been addressed according to policy. He reported that FDIC insured corporate bonds, a new program developed last year with some issuance that had come out this year, are being evaluated to determine whether the FDIC insured corporate bond instrument meets state statute requirements. Mr. Nix noted discussion with Mr. Patrick and Mr. Hemphill on the Metro side, adding that they would continue to explore that before making any decisions. He stated that municipal bonds are an option under statute where attractive yields are still being seen. The primary purpose was to show some alternatives to the money market account and to explore options. Mr. Nix stated that the environment right now does not indicate that yields on very short treasuries are going to increase very much over the next six to twelve months because they are tied into what is going on in the monetary policy right now; they continue to manage the investment account within the investment policy. He stated that treasuries, as opposed to agencies, were used as issues had come due, noting that agencies are still in the account and would be monitored on an ongoing basis. Mr. Nix noted a discussion with Ms. Ogletree about the debt service reserve fund currently at the Bank of New York in a money market account; they may explore the ability to keep that in their custody in a separately managed account much like the investment account where those funds could be invested in longer term securities to generate more interest income. He noted that although there are requirements to fund the debt service reserve fund, they still have the right to the income generated. Mr. Nix stated that to the extent that fund is building up, it would be prudent to look into opportunities outside of the current money market funds where it is being invested. He reiterated the need to explore the FDIC insured corporate

bonds, and encouraged the Board to consider them if deemed appropriate since they are a government backed, fully insured program. He noted limitations of two years on maturities within certain funds. They would continue to talk about agencies while recognizing them as approved instruments still in the portfolio, but not currently being reinvested in. Chairman Monaghan noted concern with handling GASB 45 reserves for Metro, adding that they had set aside \$200,000 in reserve for retiree health insurance. Ms. Ogletree asked if anyone had been to Metro to make a presentation, adding that she had just recently received a draft from Milleman who was to come in for a presentation of the different options for a reserve. She added that it did not necessarily have to be at Greenwood Capital, but would be in a trust that could not be moved around once the money goes in. Chairman Monaghan stated they would rather do business with Greenwood Capital; Ms. Ogletree responded that there are different options such as bonds issued to cover the cost, and the state program; and Milleman would present different options for our evaluation. Mr. Nix offered to help evaluate the options to determine whether or not it would be with Greenwood Capital. Commissioner Hancock noted that he read in the newspaper that it had been put off. Ms. Ogletree responded that it is not necessary to fund it at this point. Chairman Monaghan stated that Metro is saying that it is necessary. Commissioner Watts stated that Metro just put the money up without anyone having presented them with anything. Manager Reeves clarified that it although it is "ok" to fund it, we are not mandated at this point in time. Ms. Ogletree added that there is an effect on debt service ratios if you do not fund it because you would have growing liability without the offsetting reserve to cover it. At some point in the future, Standard & Poor's or Moody's may look negatively upon that; right now they don't have a set opinion because it is so new to everybody. That issue is not in the bond debt covenants because it was not discussed at that point. Nobody really knows what will happen in the next ten years. Manager Reeves stated that we have a draft report from Milleman who was recommended through the Municipal Association. He noted that they had also done work for Metro and suggested a joint presentation at a Metro meeting since the Commissioners would be there and both Boards could hear it at the same time. Mr. Patrick suggested that Mr. Nix might also attend to hear the presentation. Mr. Nix stated that from a budgeting standpoint, in this rate environment they would continue to be prudent and not to chase yields, but recognize that from interest income generated, pretty significant declines would be seen as funds are being reinvested. He stated that rates in money markets had gone from 2% to almost zero in the last twelve months. To give an indication of how low rates are in most money markets right now, they are actually refunding fees because if they did not, there would actually be a negative rate of return. The

value of being able to manage accounts individually is that you can match your drawdown so you can extend out a little further from a duration perspective and that allows you to pick up some additional yield. Mr. Patrick noted that CPW does have the right to designate their investments for the account when talking to the Bank of New York. Mr. Nix responded that when the account was established, a letter was received from Ms. Ogletree providing oversight authority. He commented that it makes it very hard to transact any business in an account; they do not have the ability to deliver bonds if they were to go out and buy a particular issue, it would be very difficult to deliver that into this account that is being managed by Bank of New York; whereas, if they served as the custodian, much like the Countybank is the custodian for these assets, but they had an investment contract, that would allow them to buy and sell those securities. They have a relationship with Bank of New York, so that is not uncommon for them to have an account set up with them. It would allow them to continue to be the safety for receiving the assets, but give them more authority to direct the investments. As that account is building, it would become more important for those investments to be directed appropriately. Mr. Nix concluded that they would return the next month to provide the regularly scheduled review of the account.

- B. Manager Reeves noted that each Commissioner had been called with a request to purchase natural gas out until February 2011, which exceeds the policy provisions without their approval. He stated that each gave their approval to proceed at that time, and it would be appropriate to ratify that action. Manager Reeves suggested that Mr. Smith first explain the purchases and the rationale behind them. Mr. Smith provided handouts regarding the authorized purchases made two weeks prior. He referred to a chart showing purchases made on February 5 at which time they purchased for July 2009 through February 2010, and the 12-month strip at the time the purchase was executed; then three weeks later on February 26, they executed purchase #2 for March 2010 through February 2011, which is two years forward; and on March 13, purchase #3A where they bought near the recent bottom of that market on #3A for the twelve-month strip, which is July 2009 through February 2010, and #3B which is March 2010 through February 2011; both were very close to the bottom of each of those periods. Mr. Smith referred to a chart that characterized the CPW weighted average price, current market for futures that have already settled, and current forward prices. He noted unpurchased percentages for 2009 with December 2009 showing 25%, meaning that 75% had been purchased and 25% unpurchased, with the average price at \$6.06. Mr. Smith referred to an additional page that showed the same data for all purchases in tabular format. He referred to a graph

showing positions for 2010, noting that market prices were close to the cost of ownership. Mr. Smith recalled earlier purchases through February 2010 reflecting approximately 20% unpurchased for January and February, and roughly 40% unpurchased for March 2010 through December 2010. He stated that the last page showed the same for 2011, which goes about two years forward and shows 40% unpurchased at about \$7.00 for January and February 2011, and totally unpurchased beyond that time. Chairman Monaghan noted that if there is a lot of contango in that, the closer you get those prices are going to drop. Mr. Smith responded that perhaps they would. Chairman Monaghan stated that they put the contango in; the farther out you go, the more the premium. Mr. Smith stated that is what had been happening up until now with a discount in the immediate and nearby months; as the months move forward it drags down the prices of the coming months. He expressed the opinion that was expected to end fairly soon, and these curves have already begun to move back up and he would expect that to continue as hope comes back into the markets and the economy. That translates into perception of industrial demand, and people start to worry about hot summer and hurricane season. He stated that there was an "absence of hope" that had depressed the markets. Chairman Monaghan thanked Mr. Smith for the update.

A motion was made by Commissioner Hancock to ratify the natural gas purchases; the motion was seconded by Commissioner Watts, and unanimously approved.

- C. Manager Reeves presented a request for 234 water meters to be used in the CDBG grant project at a cost of \$35,366.18. He noted that further discussion of the project would take place later in the meeting.

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

- D. Manager Reeves presented two requisitions totaling \$34,366.69 for a processor for the SCADA system at the water treatment plant that was included in the bond funds. Commissioner Hancock noted there was only one source available.

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

E. Manager Reeves explained the possibility of stimulus money being made available for various projects with much of what is available designated for water projects. He noted that the term "shovel ready" is used for projects ready to go out for construction. He stated that in order to have a number of projects "shovel ready", they are requesting permission to proceed with engineering of nine different projects at the water treatment plant that were listed in the Commissioners' packages. He noted a total of \$2.7 million for construction of those projects, with the proposed design phase of the engineering cost being \$66,962.50. Manager Reeves pointed out that these projects are recommended by staff over the next few years regardless of whether funding is available through the stimulus package, and the engineering would have to be completed at some point in time anyway. Manager Reeves requested permission to proceed with engineering with the hope that stimulus money would be approved as a "shovel ready" project. If not, we go back to the original plan and present the projects as they come up. Chairman Monaghan asked about the number of approved engineers for water projects, and if each had been asked for a price. Mr. Chapman responded that there are two water engineers; the reason both were not asked for a price is because engineering had already been done on half of the projects. They were struck out from the 2003 bond so basically all that needs to be done is to pull those back out, re-estimate them and send on to DHEC for permitting. Mr. Chapman noted a couple of additional projects identified in order to make the project viable, making the cost roughly \$67,000. If we were to go to the alternate engineer, he would have to start at ground zero to design all nine phases. Manager Reeves noted that fee would typically be in the 10% to 12% range of the construction cost.

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

F. Manager Reeves presented the low bid in the amount of \$615 per ton from Colonial Chemical Solutions, Inc. for a three-month bid for liquid caustic at the water treatment plant.

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

G. Manager Reeves presented the low bid submitted by Robert E. Mason Company in the amount of \$213.12 each for farm tap natural gas regulators.

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

- H. Manager Reeves presented the low bid of \$43,373.52 from Consolidated Pipe Supply Company for pipe for the Miller Road project that was a bond project that could possibly be approved through the stimulus package.

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

- I. Discussion and consideration of water distribution upgrades was postponed until *Executive Session* as a contractual matter.

VII. Other Business:

1. Manager Reeves informed the Commissioners of a schedule provided by the vendor for removal of the remaining propane tanks. Their plans are to begin on March 30 with a completion date of April 8, which is still well within the allotted timeframe. Chairman Monaghan inquired about what was needed to get the property ready to go on the market. Manager Reeves responded that there is nothing other than to make sure it is properly graded to clean up grass, etc., and a small amount of underground piping. Commissioner Watts inquired about the size of the property; Manager Reeves responded that there are approximately ten acres.
2. Manager Reeves acknowledged a couple of requests for firm dates from the Commissioners at the last meeting. The first was for the collection agency and as mentioned earlier, that will start on April 6. The other date was for implementation of the vehicle maintenance program, and according to Mr. Barnett, that will be operational by May 1.
3. Manager Reeves recalled discussion back in November of 2007 regarding a request for a contribution towards the library. At that time, in-kind contributions totaling well over \$100,000 were made. He noted that a meter pit was included, and at that time the cost was projected to be around \$20,000; the latest cost obtained from the water department is \$30,000. Manager Reeves stated they would proceed as previously directed but wanted the Commissioners to be informed that the contribution we were making had now increased by \$10,000. Chairman Monaghan requested a letter be sent to Prudence Taylor.

4. Manager Reeves noted that the City was about to begin the application process for a conservation grant. Manager Reeves requested authorization to sign a document to allow inspection of the Grace Street property needed for that grant process, and the Commissioners were in agreement.
5. Manager Reeves presented a request from the Festival of Flowers Committee for sponsorship of a living topiary, specifically the large lion that sat in front of The Floral Case last year, at a cost of \$2,500. Commissioner Hancock stated that as long as CPW got the recognition for the sponsorship it should not be a problem. Mr. Patrick stated that it would be appropriate from a marketing standpoint. Manager Reeves noted there would be a full marketing campaign; it would appear in all the brochures and also on a sign that would be in place.

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

6. Chairman Monaghan noted a previous discussion with Ms. Knott at which time he had expressed concern with the new insurance administrator being slow to pay claims. He noted a personal claim had taken about two months, and commented that could be happening with employees. Chairman Monaghan requested that something be done to remedy the situation; Manager Reeves stated that a letter of concern could be sent to them, and copied to Harvey Mathias who oversees the program at the Municipal Association. Chairman Monaghan noted that there was not a problem under the previous arrangement; Ms. Knott added that it had occurred since going to Medcost Benefit Services. Manager Reeves noted that Medical Claims previously administered the program, but had since been purchased by Medcost who is a much bigger company. Chairman Monaghan stated that employees should not have the stress of having to dodge DUNS from medical providers.

#### VIII. Executive Session:

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

The meeting returned to open session.

Mr. Patrick stated that during *Executive Session* discussion took place on the water project for which grant funds are being received. During that time the

engineer provided a briefing and a good memorandum on his review of the bids and the low bidders. He did extensive work on checking the references and other professionals and engineers who had used this low bidder. Mr. Patrick stated that the recommendation of the engineer and the General Manager is that the low bidder does not appear to be qualified to do the work on this complicated water project, and recommends that in accordance with the bids, the CPW has the right to reject any of the bids if they had previously failed to perform or properly complete contracts on time, or in the opinion of the CPW are not in a position to perform the contract. He stated that the recommendation was that the low bidder not be awarded the contract, and that the second low bidder be awarded the contract. The engineer has also checked references for the second low bidder and the recommendation of the engineer and the General Manager is that the low bid of McMillan, Carter, Inc. be rejected, and that the second low bid of Chandler Construction Services in the amount of \$577,999 be accepted.

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

After the arrival of family members and friends of Commissioner Hancock, Chairman Monaghan stated that it was a banner year 54 years ago in September of 1955 because Commissioner Hancock started to work for CPW, where he continued to work for thirty years. After retiring, he took a few months off, and then ran for Commissioner of CPW. He was elected and has served as a Commissioner for 23 years. Two months ago, CPW completely took over the administrative building and signage was placed on the outside of the building. Chairman Monaghan stated that a plaque would now go out front renaming the building the Gene P. Hancock Administration Building. Chairman Monaghan continued that Commissioner Hancock fought in the Korean War and Desert Storm; was a recipient of the Air Force Meritorious Service Medal; a two-time recipient of the Air Force Accommodation Medal; a night-school graduate from Piedmont Technical College where he was awarded the Presidential Medallion; served on the Greenwood County Parks Commission; and along with his wife Gwen, never missed a Gamecock game either home or away for seventeen years. Commissioner Hancock expressed appreciation for the honor, adding that the people here could not be better to work with. Even though there are sometimes disagreements, the Commission always works hard and gets things done. Chairman Monaghan presented Commissioner Hancock with a commemorative plaque replicating the permanent bronze plaque to be placed at the front of the building. Family, friends, and staff were invited to remain for refreshments.

Chairman Monaghan made a motion to officially name the CPW administration building the Gene P. Hancock Administration Building; Commissioner Watts seconded, and the motion was unanimously approved.

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

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

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Secretary