

COMMISSIONERS OF PUBLIC WORKS
Minutes of May 14, 2009

A regular meeting of the Board of Commissioners of Public Works was held on Thursday, May 14, 2009, at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Steve Reeves	Denise Ogletree	Lee Roper
Michael G. Monaghan	Jeff Elliott	Carlos Cometto	Mark Warner
Henry O. Watts	Vicki Knott	Jeff Chapman	Chris Trainer
	Jeff Auman	Curtis Burnett	Richard Gentry
	Jerry Smith	Jeff Meredith	Vickie Gorham
		Chris Lindley	Stacia May

- I. Chairman Hancock called the meeting to order. The invocation was given by Chairman Hancock.
- II. Chairman Hancock gave the statement of compliance with the notification provision of the Freedom of Information Act.
- III. New Business:
 - A. Chairman Hancock noted that each Commissioner had previously been polled regarding waiving of the capacity fee for Project Green Pack due to the projected water usage, and suggested that action now be ratified.

A motion to ratify that action was made by Commissioner Watts, seconded by Commissioner Monaghan, and unanimously approved.
 - B. Chairman Hancock presented a recommendation from staff for renewal of the Employee Assistance Program through Cornerstone at an annual rate of \$4,500 per year, adding that there was not an increase since last year.

A motion was made by Commissioner Watts, seconded by Commissioner Monaghan, and unanimously approved.
 - C. Manager Reeves provided a handout from the Arts Council, and recalled that in June of 2008 the Board had authorized staff to issue a credit for the utilities at the Federal Building. He noted that the one-year agreement would expire the next month, and asked for direction with whether to extend the agreement. He reminded the Commissioners that the Arts Council was asked about the inclusion of utilities in their budget, and that had since been included. He stated that the revised budget statement just

received showed contributions from CPW in the amount of \$21,369.69 which represents the expected utilities for the facility for twelve months. Commissioner Monaghan pointed out that their budget showed the amount spent year-to-date, noting that it would be around \$24,000 after adding on another two months. Manager Reeves noted \$26,000 projected and shown in the budget as an expense under building operations. He continued that an unsigned letter was included wherein they proposed to pay \$1,200 per year toward the utility cost in year one, and suggested submitting a long-range plan by June 5 to address utility costs over the next few years. Commissioner Monaghan requested that the long-range plan be submitted in a signed letter addressed to the Commissioners. Manager Reeves responded that the long-range plan would be more detailed and would be signed. He added that it would also involve the City of Greenwood and potential involvement by them in the payment of utilities, and noted that they would be meeting early in June on the same issue. Manager Reeves pointed out that the current agreement runs through June, and suggested action be delayed to allow time to review the information that was just received.

- D. Ms. Ogletree noted that a joint presentation with Metro had taken place at which time MASC had provided information on GASB 45 funding. She asked for direction with whether to proceed with funding, and if so, whether the preference was to go with SC Orbit, or to research other possibilities. Commissioner Monaghan stated that his preference was for Ms. Ogletree to make a recommendation; they would then decide whether to follow that recommendation. Ms. Ogletree referred to a recommendation included in their packages that was to begin funding and to incorporate that into the 2010 budget. She expressed that SC Orbit would probably be the best choice for a trust administrator; however, further research would be necessary. She commented that Michael Nix had offered to provide some information. Manager Reeves recalled that Mr. Nix had stated that Greenwood Capital probably could not compete with the program through SC Orbit because of the volume handled through the Municipal Association. Manager Reeves agreed that SC Orbit would be the direction to go, but that would be verified. He agreed with budgeting for 2010, adding that the process for a mid-year budget review would begin over the next thirty days to be sure we are in line with the original budget. He continued that if they find some items to delay or eliminate, they may want to start partially funding after that mid-year review. Commissioner Monaghan expressed reluctance to fund at this point. He stated that everybody is advocating health care reform and evidently some kind of action is forthcoming. He stated that this is based

on our current health care costs and the current scenario. He pointed out that it is so outdated that the document shows earning of 7%-8% on investments. Ms. Ogletree stated that number was used in expectation of improvement with the future economic situation. Commissioner Monaghan suggested waiting a year to see if there are any dramatic changes in health care costs; Chairman Hancock added that it had not been forced yet. Ms. Ogletree explained the implications of deciding not to fund right now with the liability of the expense affecting 2008 and 2009 that would be around \$550,000. She continued that should they decide not to fund, then they use a lower interest rate of 4 ½% for projecting forward. Commissioner Monaghan asked for an explanation. Ms. Ogletree explained that if you decide not to fund, then you are considered a higher risk. Commissioner Monaghan stated that the document always uses the wording "possibly" and that means there is some doubt. Ms. Ogletree explained that the GASB rule is that if you are not going to fund it, you are a higher risk, if you are a higher risk, then they have to assume a lower interest rate on those funds going into the future. She noted that the 7% – 8% interest rate was used in expectation of rates during the lifetime of our employees. She continued that an analysis would be done every two years. Commissioner Monaghan asked if it could be unfunded; Ms. Ogletree responded that it could not be unfunded. She stated that if money is put into a trust and then we decide that is not what we want to do, we cannot take the money out of the trust but can pay out those retiree benefits from that trust for the current retirees. Commissioner Watts noted that those retiree benefits would have to be paid anyway. Ms. Ogletree stated that roughly \$482,000 was paid out for retirees in 2008. Commissioner Monaghan stated that the news was full of things about health care reform, and now here we go and fund this based on the current system. Manager Reeves reiterated that it would be revisited every couple of years and should the conditions change, then the amount you would fund would also change. Commissioner Monaghan pointed out that Ms. Ogletree had said that we cannot unfund. Commissioner Watts noted that we could not get the money back, but it could it be used for retirees. Ms. Ogletree commented that we are funding a thirty-year liability; we are taking a \$20 million liability and accruing it over a thirty year period, plus what the current amount is, adding that the big liability is not going to go away. Commissioner Monaghan asked what would happen if they came in with a single payer national healthcare insurance. Ms. Ogletree responded that would adjust with the next analysis. Manager Reeves noted that the thirty-year projection would still be reduced; therefore, the contribution would change on an annual basis. Ms. Ogletree continued that should they choose not to fund, the liability grows

every year. When the liability grows, our bond debt service ratio continues to go down because the fund balance decreases every year. Manager Reeves noted that a decision was not anticipated today, it is really just to decide whether they want to fund or not. He suggested they first go through the mid-year budget review to determine whether there are sufficient funds available to even consider it. In the meantime, check with SC Orbit and others to find out if that is the way to go for the trust. Commissioner Watts inquired as to when the mid-year budget would be done. Manager Reeves responded they hoped to be ready by the first of July. Commissioner Monaghan referred to the draft document introduction page and asked what was meant by normal cost. Ms. Ogletree responded that is the amount of the contribution related to currently active employees. Commissioner Monaghan asked if the normal cost for active employees could be funded out of the fund to be established. Ms. Ogletree responded that it could not; she stated that the \$1,263,000 is what they had accrued to the point they did the analysis; the \$302,000 is additional liability accrued for benefits for the employees that you have currently when they retire. It would be reduced by expected benefit payments of \$453,000 which is the amount they expect we will pay out for current retirees, so that \$1,565,000 would be reduced by the expected payments; actual payments for 2008 are \$482,000. Commissioner Monaghan asked if interest was paid; Ms. Ogletree responded that was the interest they expect we would have earned on those funds if it was funded. Commissioner Monaghan requested an e-mail explanation from Ms. Ogletree.

- E. Manager Reeves noted that the GIS presentation would be rescheduled because Mr. Brad Jeffares was unable to attend.

IV. Other Business:

1. Chairman Hancock noted a prior request for a budget update. Ms. Ogletree responded that it was sent by e-mail. After Chairman Hancock pointed out that he never received it, Manager Reeves offered to print out a copy for Chairman Hancock.
2. Manager Reeves stated that Mr. Smith was prepared to brief the Commissioners on some additional gas purchases for the next twelve-month period. Mr. Smith distributed handouts and began the presentation with a slide showing natural gas 12-month forward strip, 2010, and 3-year average with 1, 2, and 3 standard deviations. He then provided the same chart with five different purchases and when those purchases were

executed. Mr. Smith noted five purchases made over the course of the last seven to eight months, with the first made on October 13; and the second on February 5. He added that the purchases were spread out in order to let the market fall. He continued that three weeks later a purchase was made for 2010, and then two weeks later on February 26, purchases were made for 2010 and 2009. Mr. Smith noted that the purchases made on March 13 were those made at the time Steve and he had called them, and those appeared to be the best purchases made at the lowest prices. Mr. Smith stated that the last purchase was made on May 7. He then referred to current hedge pricing and market pricing noting that hedge prices began coming down in June and were close to market prices for the rest of the year. He continued that purchases on May 7 were for October 2009 through March 2010. He referred to a slide showing trends in PGC (purchased gas cost) and PDC (pipeline distribution charge) pricing, noting a different profile from hedges. Mr. Smith pointed out that PDC was relatively small during the month of January because of the rebate from Transco. All of the winter months reflect lower values because of the ability to release and sell back capacity. He noted declining prices since July and lower prices for December through May than July through October. He referred to a slide showing the same perspective for 2010 in which case the positions looked favorable by roughly \$0.50, although January and February were fairly close to market price. He stated that as market prices had come up, the price of puts had also, adding that they are looking at puts. Commissioner Monaghan expressed concern with not wanting what had happened last year to happen in the future. Mr. Smith referred to a chart showing a fairly dramatic run up with the spot market moving up more than \$1 over the last two weeks. He concluded the slide presentation with a slide showing 2011 and positions for January and February where there is about a \$0.50 spread to the market. Commissioner Monaghan noted that gas prices were the lowest seen in a long while; Mr. Smith added that they were at the lowest in seven years. Chairman Monaghan further noted that Mr. Smith had gone ahead and purchased into 2011 in order to protect the customers. Mr. Smith added that they are attempting to provide gas at a stable and minimal cost. He noted that they were basically done with gas buying for a while with just a few gaps still to be filled in.

3. Manager Reeves presented a first place trophy from the South Carolina Municipal Insurance Trust for the occupational safety contest. He noted that CPW had a good year for 2008 and had placed first in the utility division. He stated that a \$2,000 award was received that would probably be applied toward the safety BBQ.

4. Manager Reeves provided the Commissioners with registration information for the South Carolina Association Municipal Power Systems annual meeting.
5. Commissioner Monaghan noted that staff reports would be provided at the first monthly meeting to give the Commissioners an opportunity to ask questions. He inquired about a variance in a subdivision shown under approved water projects and whether there had been any discussion of possible annexation. Manager Reeves noted efforts to pursue annexation in a development beside Avalon on Northside Drive. He added that it is the same developer who developed Avalon and annexed into the city limits, adding that Mayor Adams is also working with the developer. Commissioner Monaghan inquired as to whether the water project replacement and design of galvanized lines was being done in-house. Mr. Cometto responded that they are; Mr. Chapman added that there was some match with the CDBG funds. Chairman Hancock asked if any comments had been received from Ware Shoals on the water looking like tea. He continued that he had explained to a customer that you would get some discoloration if there is a lot of backwash in the system. Mr. Chapman responded that he had not heard any comments. Manager Reeves clarified that this is not a part of the CPW utility system; we simply furnish them water. Mr. Chapman suggested that their new elevated tank might have had stale water that got back into the system. Commissioner Monaghan referred to Techwood shown under "gas projects completed" and asked about gas consumption. Mr. Elliott responded that he was not aware of anything that had come on line. Chairman Monaghan inquired as to whether gas had gone in at Summer Place on Lake Greenwood. Manager Reeves responded that they did not want gas there. Commissioner Monaghan inquired about completion of the vehicle maintenance system under "network projects approved". Mr. Auman responded that most things are in the system to begin use; the issue had been with creating schedules for each vehicle and most of that is complete. A couple of issues were corrected where it was not updating properly and costs were not coming under finance correctly. Most of the programming part is correct; there are still a few reports that need tweaking. Commissioner Monaghan inquired about PCs on the report "ready for donation but now on hold due to budget cuts". Mr. Auman explained that those are kept in reserve in case one blows up to keep from buying a PC that is not in the budget. Commissioner Watts inquired about the status of bad debt collection. Ms. Ogletree responded that the first batch of accounts was sent on April 9. So far, they have collected \$6,095.74;

people who received letters came directly to CPW and paid \$3,751.46. She noted that some was also collected through tax refunds. She stated it should pick up more now that they have accounts and have updated their records. Ms. Ogletree noted that the only complaint received so far was from people upset over paying collection fees. Commissioner Monaghan asked about scheduling the IT audit; Manager Reeves confirmed that VC3 would attend the next meeting to give a report. Chairman Watts asked if everything had been cleared up from the storm. Mr. Meredith reported one line on Reynolds Street that fell after the storm that is not necessary to have in service. Because of other problems, that line was isolated and would be an independent repair. Chairman Hancock noted that there would not be any money back since Abbeville had not gotten any back. He further commented on a decline in water sales adding that it should increase with hot weather coming.

6. Mr. Mark Warner noted three new projects picked up during April and May, and a prospect visit from the Department of Commerce at the end of May. He noted they requested an unescorted tour and pointed out there could be other prospects out there visiting counties and regions that are unescorted. He reported that they were looking at the site readiness program with the city pond property with a site consultant.
7. Commissioner Monaghan complimented Ms. Ogletree and her department on the internal control reports. Ms. Ogletree noted two additional tests would be implemented during the month. Commissioner Monaghan asked about waivers of payments and whether they are looking at situations where people are being given more time to pay. She responded that Ms. Gorham keeps up with it, but it could be incorporated into the internal audit. Commissioner Monaghan asked if auditors were being rotated. Ms. Ogletree responded that only Melinda, Shirley and she do the audits because there is really no one else to do them, adding that no one audits their own work.
8. Mr. Gentry reported that the CDBG grant for the eastern city water rehab project would begin on Monday. With regard to the other grant being applied for, a date should be set for a public hearing around May 26 and the application would follow that. He stated that they are keeping tabs on the \$760,000 in Department of Energy Efficiency Grants. He explained that the state must get plans in to federal by May 24, and then the project outlines come out. Commissioner Monaghan inquired about the Washington contact. Manager Reeves responded that they have scheduled a meeting for June 2 to meet with staff. Commissioner Monaghan

expressed appreciation to everyone for looking into grant monies, noting that is money that ratepayers do not have to pay.

V. Executive Session

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

The meeting returned to open session. Chairman Hancock stated that discussion took place during *Executive Session* on a banking agreement between the CPW and Countybank. He noted that Countybank had agreed to annex their Reynolds Financial Center into the city limits. CPW has agreed to maintain its current relationship with Countybank Trust for the next five-year period beginning July 1, 2009 to continue through May 31, 2014; Countybank Trust has agreed to sweep bank balances over \$5 million into a federated money market fund or another non-depository investment through Countybank Trust. The Countybank agrees that the current price will remain during the same period.

A motion to approve the agreement contingent upon annexation by Countybank was made by Commissioner Watts, seconded by Commissioner Monaghan, and unanimously approved.

Manager Reeves noted discussion on an investment advisory agreement with Greenwood Capital Associates pertaining to funds that are invested into debt service reserve accounts with The Bank of New York. He continued that they have the right to designate who they would like to be in control of those investments. He stated that it had been the wish of the Board to have Greenwood Capital Associates perform that investment strategy and it would be appropriate to authorize the Manager to execute an agreement with Greenwood Capital.

A motion to approve the agreement contingent upon the advice of legal counsel was made by Commissioner Watts, seconded by Commissioner Monaghan, and unanimously approved.

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

Approved: _____, 2009

Secretary

