

COMMISSIONERS OF PUBLIC WORKS
Minutes of October 22, 2009

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, October 22, 2009 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

	Steve D. Reeves, Jr.	George Petersen	Vicki Knott
Michael G. Monaghan	Ken Barnett	Jeff Elliott	Stacia May
Henry O. Watts	Jeff Auman	Jeff Chapman	Bill Patrick
	Denise Ogletree	Richard Gentry	John Wiseman
	Jerry Smith	Jeff Meredith	Jean Martin
	Allison Holland	Carlos Cometto	Chris Trainor
		Chris Lindley	

Commissioner Hancock was absent due to open heart surgery.

- I. Vice Chairman Watts called the meeting to order. The invocation was given by Ken Barnett.
- II. Vice Chairman Watts 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 Vice Chairman Watts to approve the minutes of the regular meeting on September 10, 2009; the joint meeting with the City on September 15, 2009; and the regular meeting on September 24, 2009; the motion was unanimously approved.

- IV. Financial Statement:

Commissioner Monaghan referred to page 30 of the financial report and inquired about the results with bad debt collection. Ms. Ogletree responded that so far \$25,120 had been collected from the collection agency; the files were just sent to MASC to recover from tax refunds for the coming year. She continued that \$204,827 in total between debt set-off and the collection agency had been collected this year. Commissioner Monaghan asked if any of that was shown on page 30; Ms. Ogletree responded that the debt set-off portion was at the bottom of the page. Commissioner Monaghan referred to page 31, over and under collected, and asked about creating a special rate stabilization fund. Manager Reeves responded that could be done; investment money is out there as a rate stabilization fund. Commissioner Monaghan expressed the need to move to that

and to put it into investments when it gets large enough. Manager Reeves suggested waiting until after the first of the year, and reminded the Commissioners that the December timeframe is usually when they are hit with the biggest negative number. Get through that, see what we have, and then it would be appropriate. Commissioner Monaghan commented that it would be a good idea to help offset or minimize any future rate increases over the years. He added that there may be other ways to fund the rate stabilization fund to keep it growing. Commissioner Monaghan then referred to page 29 and requested that Ms. Ogletree include what must be paid for debt service in December in the next reports. Ms. Ogletree asked Commissioner Monaghan if that should include interest and principal; Commissioner Monaghan responded that it should include principal since interest is shown on the report. Ms. Ogletree recalled that because of the downgrade in the market from the insurers, they began funding the debt service reserve fund, and are actually moving funds from one place to another so the money is now at Bank of New York. Manager Reeves added that we still have control of the money. Commissioner Monaghan asked if it would come out of the Bank of New York in December. Ms. Ogletree responded that there are two separate accounts at Bank of New York for each bond; one is to pay out the payments, and one is a deposit or guarantee for the last payment in the event that we default on the bond. It is basically a deposit type of account to ensure we make the last payment. We are funding it monthly over a 36-month period. Commissioner Monaghan asked if it came out of O & M; Ms. Ogletree responded that it is just a transfer of cash or investments from one place to the other. It is not an expense, but just a transfer of an asset. Investments are transferred from Greenwood Capital over to Bank of New York. Commissioner Monaghan asked where the money goes when the bottom line of O & M has a positive variance. Ms. Ogletree responded that would be retained earnings. Commissioner Monaghan asked if that was used for debt service; Mr. Barnett responded that if the net income balance is positive it is actually adding to the operating funds in the bank. You are actually moving money from the money at Countybank that is unrestricted over to the restricted account at the Bank of New York. Mr. Barnett clarified that you are funding it through O & M or whatever cash you have available. Mr. Patrick commented that funding probably does not show up as an expense, so it would not be an above the line type of expense. Ms. Ogletree stated that it is a balance sheet transaction. Commissioner Monaghan asked if unrestricted cash was being misrepresented because of having to fund the debt service. Mr. Barnett responded that you are not misrepresenting because if you look at the balance sheet and not the income statement, that will show that it becomes a restricted asset; it will move from unrestricted to a restricted asset. In essence, it is not a part of the income statement. Mr. Patrick clarified that it is not restricted until it is actually transferred in accordance with the 36-month transfer schedule. Commissioner Monaghan stated that all of this unrestricted

cash should not be shown and have people ask what will be done with it and wonder why there are rate increases or bond issues. Ms. Ogletree noted that the portion used for debt service is restricted and not just sitting out there as unrestricted cash or unrestricted investment. Mr. Patrick clarified that it is restricted once it is transferred to the bank service reserve fund. He pointed out that Commissioner Monaghan's thinking is that there is an obligation to make these transfers over the next number of months remaining of the thirty-six. It is technically unrestricted until you transfer it in accord with that schedule and that is what John Wiseman was talking about with withdrawals from the Greenwood Capital account that were primarily to fund that debt service reserve fund. Commissioner Monaghan asked specifically which sewer line expansion was shown under 374; Manager Reeves responded that it was the city pond sewer line. Commissioner Monaghan noted a negative amount of \$293,000 shown there; Ms. Ogletree responded that additional funds would have to be found from other bond projects to cover that deficit. Manager Reeves added that originally \$600,000 was allocated to that project because the first number given to them was \$1.2 million. Then, they ran into rock and some other things were added to the cost. Ms. Ogletree noted that a few small invoices that had not come in yet were not reflected in the cost. Commissioner Monaghan referred to a positive amount and asked if that was money yet to be spent, and if we really need to spend it. Ms. Ogletree responded that projects are reviewed every six months and that had just been done; it would be done again to identify funds to cover the deficit in the sewer line expansion. Commissioner Monaghan inquired as to whether a procedure was in place to find leftover money from projects that could be used elsewhere. Ms. Ogletree responded that there is a procedure. Manager Reeves added that there is a review process, and Ms. Ogletree was recently asked to find excess from other projects to fund the \$293,000 from city pond sewer. Commissioner Monaghan asked about doing this more often than six months; Ms. Ogletree responded that directors continually look at it. Mr. Chapman looks for ways to use excess funds to fund other projects. Manager Reeves suggested adding another column to show whether a project has been completed in order to better know whether funds are available. Manager Reeves noted that as new projects come up or they end up with an overrun, they review what is out there that might be transferred and used for a different project. Vice Chairman Watts asked if the money comes from operating cash. Ms. Ogletree responded that it initially comes out of operating and we reimburse ourselves from the cash investments for the bond funds. Commissioner Monaghan asked about \$100,000 shown left for underground cable and if Lodge Grounds was completed. Mr. Meredith responded that they are done in Lodge Grounds but are not done with all of the cable replacement programs. He continued that several thousand dollars were included in the last budget for underground cable replacements. Just in the last two weeks they had finished up a portion at Wesley

Commons and all of those charges had not come through completely; there are still other projects for underground cable replacements to be done coming out of substation four. Mr. Meredith noted about \$1.7 million for a substation project, adding that they have been reviewing that over the last four months to look at ways to use that money elsewhere or what needs to be done to get the project going. Ms. Ogletree noted that arbitrage is closely monitored and there are no problems. Commissioner Monaghan reiterated the need to look at the rate stabilization scenario and when that might be built in order to keep rates as flat as possible. Vice Chairman Watts referred to page 29 showing beginning and ending balances for operating cash, restricted investment, and investments and requested a comparison for the same time in 2007 and 2008; Ms. Ogletree agreed to provide that by e-mail. Vice Chairman Watts asked if a person was currently working through Staff Source; Manager Reeves responded that there was.

V. Business:

A. Mr. John Wiseman with Greenwood Capital provided a quarterly investment report. He reported on realized gains and losses on page one of the report that is a listing of the bonds in the portfolio that had matured, been called or sold, position, and income. Mr. Wiseman referred to pages two and three showing current holdings in the account that are all in accordance with state statute. He then referred to page four that is a reconciliation of the account for the year through September 30, 2009; he noted the portfolio value at the beginning of the year, contributions or withdrawals, in this case, to fund the debt service reserve, realized gains or losses, interest on the account and the ending balance. Mr. Wiseman referred to page five with the revenue bond proceeds account that was opened earlier in the year; he noted these funds are invested according to draw schedule. He reported on three bonds shown on page five that had matured in the account through September 30. Mr. Wiseman noted that page six showed a list of current holdings in the proceeds account. Mr. Wiseman pointed out a South Carolina State Municipal Bond as a rare occurrence in the portfolio, explaining that it is allowed by statute and is a tax-exempt bond that provides interest over and above a taxable alternative. Mr. Wiseman referred to the final page seven that is a reconciliation of the bond proceeds account. He concluded that the current market is a low interest rate environment; the position is that rates will move higher. He stated that the Federal Reserve is in a tough spot; if they raise interest rates too soon, the potential exists to slip back into recession; if they do not raise them quickly enough, the economy could become overheated. He stated that the position of the firm is that some liquidity would have to be moved sooner rather than later given the dropping dollar, so the portfolio was positioned accordingly. Commissioner Monaghan inquired about an

opportunity for Build America Bonds through Countybank where the federal government pays half of the interest. Mr. Wiseman responded that as they read it right now, those are not allowable investments; they would need to take a closer look. He stated that Build America Bonds gives a municipal entity the ability to issue taxable bonds to open that up to more investors, and the federal government gives them a subsidy. Mr. Wiseman noted that it was set to expire, but the feeling is that it will be extended. He expressed that the federal government could be trying to do away with municipal bonds altogether and they would see how that plays out. He stated that in the current reading of it and after talking with some people at the State Treasurer's Office, CPW would not be eligible, but they are still looking into it. Mr. Wiseman noted that it is not a guarantee to the issuer but is just a subsidy for those entities that issue bonds to offset the tax exempt nature so that they are able to issue bonds at lower rates and the government makes up the 35% difference.

- B. Manager Reeves presented a recommendation for a 2010 half-ton extended cab pickup truck from the low bidder, Ballentine Ford, at a cost of \$20,140.

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

- C. Manager Reeves asked for guidance with whether to participate with the CPW Cares Program. He stated that if that was the intent, a motion would be necessary authorizing staff to proceed and to put the word out. He stated that they would then begin to collect funds from citizens who would like to contribute and if the Board so chooses, to match those funds up to \$20,000 as done in the past.

A motion was made by Commissioner Monaghan to continue the CPW Cares Program with a cap of \$20,000; the motion was seconded by Vice Chairman Watts, and unanimously approved.

VI. Other Business:

- 1. Manager Reeves reported on a change as of the first of the year to a new wholesale electrical provider, Duke Power. He asked for direction after noting that cost changes are anticipated and because of that, Sheree Brown with Utility Advisors' Network is suggesting that we change the language in the current Purchased Power Adjustment Clause. He recalled that as one of the rate tariffs adopted in the past, to allow us to charge based on fuel cost changes. Ms. Brown is suggesting it be amended to include all costs from

Duke Energy and Southeastern Power Administration and not just fuel costs so those can be passed on. Manager Reeves stated that if the Board is in agreement, Ms. Brown would finalize it for review at a future meeting. Manager Reeves expressed the belief that it is the right thing to do; the Commissioners were in agreement to pursue the amendment. Vice Chairman Watts then inquired about the amount of gas purchased for the coming winter. Mr. Smith responded that 90% had been purchased. He added that the prices purchased at had increased slightly over the winter but were fairly flat going forward. He continued that with the record amount of gas in storage, the only risk in the outlook is with the weather. The weather forecast calls for a relatively cold winter, especially early, but even in worse case there is enough in storage. We should be able to end the winter with a fair amount still in storage. Gas was still right around \$5 for November; that is \$2 less than this time last year. Mr. Smith stated that with regard to storage, they are processing a contract to Petal Storage and moving ahead; that will begin in April of 2011. They are still pursuing peaking service which will be presented later.

2. Mr. Gentry reported that the next round of CDBG money is starting up; the deadline is April of 2010. Manager Reeves noted an e-mail from Washington and a meeting with Mr. Chapman about potential earmarks for the upcoming budget. They should have a pretty good handle with whether or not that will happen over the next couple of months. Vice Chairman Watts inquired about the starting date for the next CDBG program; Mr. Cometto responded that it was the coming Monday, but they are already working.

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

Approved: _____, 2009

Secretary