

COMMISSIONERS OF PUBLIC WORKS
Minutes of January 26, 2012

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, January 26, 2012 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Steve Reeves	Vickie Gorham	Bill Patrick
Michael G. Monaghan	Ken Barnett	Jeff Auman	Michael Nix
Henry O. Watts	Richard Gentry	Vicki Knott	Jean Martin
	George Petersen	Jeff Meredith	Stacia May
	Jerry Smith	Jeff Chapman	Chris Lindley
	Eduardo Noriega	Carlos Cometto	Chris Trainor

I. Chairman Monaghan called the meeting to order. The invocation was given by Commissioner Watts.

II. Chairman Monaghan 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 Hancock and seconded by Commissioner Watts to approve the minutes of the regular meetings on November 17, 2011 and December 8, 2011, and the work session on December 9, 2011; the motion was unanimously approved. Commissioner Watts noted that he was not in attendance at the work session on December 9, 2011 due to illness.

IV. Financial Statement:

Chairman Monaghan asked Mr. Barnett to check into the net income at the water treatment plant that appeared to be high. With no further questions, the financial statement was accepted as information.

V. Business:

A. Mr. Michael Nix with Greenwood Capital provided a quarterly update through December 31, 2011 on five investment accounts. He began with realized gains and losses for Investment Account 1802 for the entire fiscal year 2011. He noted a small United Treasury piece showing a net loss for the holding period, explaining that upon review with John Wiseman, there was a bond that was sold at a slight loss, the maturity of the issue was extended

picking up additional yield, and the decision to step out and pick up additional yield resulted in that small related loss. Mr. Nix pointed out all issues sold, called or matured during the period, and referred to a list of current assets in the account that are all statute approved investments. He proceeded with a performance report of Account 1802 for the year showing beginning value on 12/31/10, contributions, withdrawals, realized gains, unrealized gains, interest and ending value as of 12/31/11. Mr. Nix reported on the 2007 Revenue Bond Fund 1975 where a list of assets that sold, matured or were called during the period was provided. He reminded the Commissioners that these accounts are managed on a short duration basis so there may not be as much return on an issue because it is being held for a rather short period of time. He continued with a list of current assets in the account, adding that he would work with Mr. Barnett on a proper pay down schedule for these accounts, some of which will go away this year. Mr. Nix referred to a performance report for Revenue Bond fund 1975 showing withdrawals from the account related to scheduled pay downs, and the ending value as of 12/31/11. He continued with the Debt Service Reserve Fund Account 2047 that was set up to ensure there would be a reserve for specific bond issues; as those bonds are paid off, these funds will be freed to move into the Investment Account or used for other general purposes. He noted a list of assets or issues that were called, matured, or sold during the period in the account. Mr. Nix stated that the list of current assets in the account are all statute approved investments, pointing out that the money market on this account is different, and is a Dreyfuss Treasury Prime with a money market approved under statute. Mr. Nix then noted a performance report of this account and commented on contributions made to the account during the year on a specific schedule. He stated that there should not be any scheduled contributions in 2012, so it will stay frozen until such time that the bonds securing the pay off and those funds would be released. Mr. Nix referred to the 2010 Revenue Bond Proceeds Account 2097 showing all issues called, matured or sold during the period. He referred to a list of current assets in the account, and a performance report showing any draw down needs identified for the year. Mr. Nix noted that the next two accounts are new accounts, Gas Rate Stabilization Fund 2129, and Electric Rate Stabilization Fund 2172. Gas Rate Stabilization was funded in 2011 and the report showed some issues that came due or were sold during the period, a list of assets in the account, and a performance report. Mr. Nix stated that the two accounts were funded from the Investment Account. When they did the true up at the end of last year, the Electric Rate Stabilization Fund was brought up to the mandated \$1.1 million amount. Chairman Monaghan asked about a withdrawal that was shown in the Gas Rate Stabilization Fund; Mr. Nix responded that was for the Countybank. Mr. Nix returned to the current

list of assets sold, or matured during the period, a list of current assets, and a performance report with a beginning balance on 8/31/11, additional contribution to true it up, withdrawals, and gains and losses. He pointed out that interest is negative because any bonds purchased that had accrued interest will show up down the road. Mr. Nix concluded that they are mindful of market conditions in a very low rate environment, looking at investment opportunities, and working closely with staff to understand cash needs to be properly positioned to meet needs, and when they have the ability to extend out in duration to pick up additional yield, while staying within the statute. Chairman Monaghan commented on hearing that interest was stabilizing and should stay the same until 2014. Mr. Nix responded that each governor had put down what they estimated would occur; two of them expected interest rates to go up in 2012; nine were looking at 2014. The consensus is that it would be about 2014, which is an extension from the last minute meeting release when the feeling was that rates would stay low for 2014. He continued that it is an interesting environment from a fixed income perspective, but also from an equity perspective. You will see stocks do well, and an expectation that since the Fed is communicating that, they still see a lot of risk to growth; it will be good for stocks but keep rates relatively low for now. He concluded that the benefit right now is that there is some steepness in the yield curve, giving the ability to step out a little from a maturity standpoint to pick up additional yield, versus having an extremely flat curve and everything being low.

- B. Manager Reeves noted a number of incidents with roof leaks over the last several years. For quite some time, Lloyd Roofing has been making repairs and has told us that the roof is well beyond its life expectancy. He stated that they held off on any major work as long as possible, but now the roof has reached the point where it needs replacement. They have discussed having a consultant come in to provide an inspection and detailed specifications of the current roof structure, and make recommendations for bidding so that qualified bids are obtained from qualified contractors. Manager Reeves requested authorization to proceed with a contract with Lyon and Associates to perform the roof inspection and prepare the specifications.

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

VI. Other Business:

- 1. Manager Reeves reminded the Commissioners of the Chamber of Commerce Dinner the following evening.

2. Manager Reeves presented a request for a sponsorship during the Catfish Festival in Ware Shoals, with levels of \$50 to \$5,000. The Commissioners agreed on a \$100 sponsorship, adding that the same should be done for the festival in Ninety Six.
3. Chairman Monaghan stated that the American Legion had requested a \$500 sponsorship for the sign at the Legion Stadium, now that Lander University is no longer there.

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

4. Chairman Monaghan asked for an update on strategies for hedging, puts, and calls, given the extraordinarily low price of natural gas right now. Mr. Smith responded that right now, they own some puts for February and were trying to buy more puts for March this morning. At the same time, they are looking to put on option collars for the summer months, April through October, if they can guarantee that our price would not be above \$2.90. They are also adding to the November, December and January position; there is currently nothing for December and January next year. Chairman Monaghan noted the price is almost where it was twelve years ago. Mr. Smith stated that the decline actually accelerated in the last month or so, and then the last week prices had bounced back up; that is why they are taking some action. Chairman Monaghan noted having seen something on the internet about not getting the returns on the shale gas. Mr. Smith responded that the Energy Information Administration (EIA) part of DOE reduced their reserve estimates for Marcellus shale in Pennsylvania and New York; however, it is still a huge number. That is one of the things that made the market bounce back up in the past week. Mr. Smith concluded that we are in a position today with trying to buy puts for downside protection, but also adding to long position for the summer and further out, so we are taking action in both directions.
5. Mr. Gentry reported on grant activity, noting the receipt of surveys that were mailed the previous week for the upcoming CDBG. He added that it would be tough this year, but we would still apply. He noted that newspaper ads had started for the 811 Call Before You Dig Grant. Billboards should go up around town by the first or second week of February, as well as billing inserts over the next six to eight months. Chairman Monaghan asked if a flyer was done for vendors of gas appliances; Mr. Gentry responded that it is in now.

6. Mr. Chapman reported on Augusta Fields, noting that with the three remaining houses that have not committed, the meter is ready so that once the customer moves in and pays the capacity fee, the meter will be unlocked. Mr. Cometto stated that the ongoing CDBG project is about 40% along.
7. Commissioner Watts inquired about collecting for accidents involving poles; Mr. Meredith responded that they are able to collect in most cases when they can get the information; sometimes there are hit and runs and they are unable to collect.

VII. Executive Session:

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

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

Approved: _____, 2012

Secretary