

COMMISSIONERS OF PUBLIC WORKS

Minutes of January 24, 2008

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, January 24, 2008 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Steve D. Reeves, Jr.	Vicki Knott	Stacia May
Michael G. Monaghan	Kenneth Barnett	Vickie Gorham	Walter Roark
Henry O. Watts	Jeff Auman	Jeff Chapman	Chris Trainor
	Jeff Meredith	Ken Whittle	Michael Nix
	Denise Ogletree	Curtis Burnett	Rebecca Steifle
	Richard Gentry	Carlos Cometto	Bill Patrick

- I. Chairman Watts called the meeting to order and Kenneth Barnett gave the invocation.
- II. Chairman Watts gave the statement of compliance with the notification provision of the Freedom of Information Act.
- III. A motion was made by Commissioner Monaghan and seconded by Commissioner Hancock to approve the minutes of the November 8, 2007 regular meeting, the November 29, 2007 regular meeting; the December 11, 2007 budget work session; and the December 13, 2007 regular meeting as received; the motion was unanimously approved.
- IV. New Business:
 - A. Chairman Watts changed the order of the agenda to allow an award presentation by Mr. Walter Roark representing the local county employer support of the National Guard and Reserve. Mr. Roark presented an award to the Board that was originated in 2003 by an employee, Scott Banks, at the time he was deployed to Afghanistan. Mr. Roark explained the nature of the "Patriotic Employer Award" that was presented to the Commissioners of Public Works for contributing to national security and protecting liberty and freedom by supporting employee participation in America's National Guard and Reserve force.
 - B. Ms. Rebecca Steifle expressed appreciation on behalf of the Countybank to CPW for the banking relationship, and informed the Commissioners of exciting things on the horizon during the first quarter with new pieces of technology to be offered. She noted a discussion with Ms. Ogletree regarding the appropriate contact person at CPW. Commissioner Monaghan inquired

as to whether online banking would be made available to customers to pay bills online. Ms. Steifle asked Commissioner Monaghan for clarification and he responded that he was referring to CPW customers having the ability to go online and pay their bill. Ms. Steifle responded that right now customers can pay bills in two different ways. They can have their account drafted, which CPW currently does and they send a draft file to Countybank and customers accounts are drafted for payment; if a customer wants to use bill pay, they would have to go online with their particular financial institutions bill pay service and set that up themselves. If they are a Countybank customer, they would use their bill pay, if they are Bank of America customers, they would use their bill pay and in either case would set CPW up as a bill payer, and go online each month and make a payment to CPW. Commissioner Monaghan stated that he used "brand X" bank's bill pay to pay CPW, and they have to cut an actual paper check and mail it. He stated that he wanted to get to where it is an actual electronic transfer. Ms. Steifle stated that may have to do with the "brand X" bank, but she would look into it. Mr. Auman noted that they are working with one of the processors, Check Free to electronically accept payments. He added that all of the details had not been worked out yet. Commissioner Monaghan noted that it appeared that the ball was in CPW's court and not in Countybank's. Ms. Steifle stated that it depends on who is processing once you submit your payment and the processor who is going to get that payment to CPW decides whether to send it as an electronic transaction or a check. Chairman Watts expressed concern with the length of time until a check is actually received; Commissioner Monaghan noted having received DUN letters from CPW in the past because the bank checks did not get in on time. He added that if you want to watch your cash flow, you might enter it to go out on the day it is due. Mr. Auman noted a time lag with processors when they batch up several and then send a batch of checks. He explained that there could be a time lag of three or four days by the time you allow for the time they hold it there, the time it takes to get checks to us, and the time it takes somebody to manually key them all in. Ms. Steifle noted that each bank generally does their bill pay a little differently. She concluded that the Countybank would allow you to pay bills on the day they are due and the money would come out on that same day. Mr. Michael Nix with Greenwood Capital provided a quarterly investment report. He noted that effectually the report was both a fiscal year and calendar year review with dates of 1/1/07 through 12/31/07. He referred to the first two pages that accounted for all of the bonds that came due, matured, or were sold during the period and noted no cause for concern. Mr. Nix then moved on to page 3 showing current assets in the account as of 12/31/07 with a mix of accrued securities, treasuries, and agencies. He noted that a pretty slight amount in cash was being held in money market because of a feeling that it makes sense

in this environment to be more fully invested; they are right around 1% to 2% in money market in this account. He noted that a couple of bonds are coming due, one came due the previous week, and a couple would come due within the next 30 to 60 days. He stated that they would be working with Ms. Ogletree to make sure that those proceeds would be made available if needed; if those proceeds are not needed, they would be reinvested. He referred to page 5 of the report showing performance reviews of the accounts. He noted the value at the beginning of the period on 12/31/06 and the addition of accrued interest which is the value of the account of roughly \$10.6 million. He noted what transpired within the account with withdrawals, realized and unrealized gains, interest received in the amount of \$497,378.86, which was more than budgeted, and the ending portfolio value on 12/31/07. He stated that from a percentage standpoint, it equates to a performance for 2007 that was up 6.74%, which was a combination of the income being generated and also the appreciation of the bonds. He commented on there being an environment where yields were going down and as they continued to go down, with that the prices go up, so that you get the appreciation of the bond and therefore higher performance. Mr. Nix noted a lot of information about the overall conditions of the market right now was shared with the Commissioners the previous day. He concluded that based on where they see opportunities or challenges from a yield curve standpoint they would try to take advantage of the yield curve and where yield can be picked up, and continue to position the account longer term, while understanding the short-term needs. Commissioner Monaghan asked whether all of 2007 bond revenues were in the investment account. Ms. Ogletree responded that they are in federated funds at County Trust. She noted a discussion with Mr. Nix about exploring opportunities to possibly put them into these types of investments, and that Mr. Nix would be providing some analyses. Commissioner Monaghan expressed a belief that should be done automatically with a big revenue bond. Mr. Nix shared that Ms. Ogletree and he had discussed looking at the potential of money market yields with this environment with feds cutting rates. He continued that they need to be prepared from a budgeting standpoint, and that certainly with running an individual account versus a money market you can take advantage of these market conditions and pick up some yield, or at least lock in yield. Commissioner Monaghan asked if it might do better in a money market. Mr. Nix responded that the money market yield right now is right around 3.4% which is pretty good given where treasuries are right now. The problem is that 3.4% at the end of 2007 was at 5.4% at the end of 2006; based on where treasuries are right now he would anticipate it going to 2.4% over probably the next six months. He stated that money market tends to hold shorter maturities, with averages of 60 to 90 days and a max of 120 days. As those

things reset, the yields would continue to tick down. Mr. Nix noted there was an advantage of having an individual account of almost locking in that 3.5% to 3.75% for a longer period of time to have a better guarantee with cash flow and still meet draw schedules, but not be as susceptible to the decline in rates as with a money market account. Commissioner Monaghan inquired about developing a withdrawal schedule on 2007 bond funds. Ms. Ogletree responded that they would withdraw every six months, twice per year; it should be for expenses through December 31 and June 30. Commissioner Monaghan asked about withdrawing through when the money is actually needed. Ms. Ogletree responded that bills are actually paid out of operating funds then reimbursed every six months from the bond funds. There is not necessarily a checking account that draws directly out of the bond fund. Mr. Nix added that if the bond proceeds are basically used to help from the operating standpoint and you are reimbursing yourself, that is different than if you are funding a specific project and getting draw schedules from your contractors. Commissioner Monaghan suggested that they look at the best way to use the money to get the best return. He asked where money withdrawn from the operating fund was kept. Ms. Ogletree responded that it was at the Countybank earning 3.4%. Ms. Steifle noted that it earns 95% of the T bill, which as of that day was 2.92%. Commissioner Monaghan asked Ms. Ogletree to look into it. Mr. Nix stated that the three of them would sit down together to come to an understanding with the need to maintain deposit accounts. Mr. Nix concluded by expressing appreciation to CPW for the relationship.

- C. Manager Reeves reported on a grant application opportunity identified by staff that was estimated at \$650,000. Mr. Gentry added that the plan was to apply for a full 100% grant. Commissioner Monaghan inquired about the area the funds would be used. Manager Reeves responded that it was to upgrade low service pumping at the water treatment plant. Commissioner Monaghan asked about the basis for the grant. Manager Reeves responded that it would be economic development, and would allow us to increase the water plant capacity from the currently rated 30 million gallons per day to 33 million gallons per day. Mr. Chapman noted that this area was identified because with minor work costing \$650,000 to replace the pump and correct the bottleneck, we would gain the increased capacity of 10%. He continued that capacity is not an issue now, but existing capacity would be taken up if we gain several new industries identified by Economic Development. He added that it would not only be economic development but the entire county would benefit from the increased capacity. Commissioner Hancock noted that 3 million gallons of increased capacity would likely cost about \$3 million to build. Mr. Chapman and Mr. Commetto both agreed that it would be a

substantial amount. Manager Reeves noted that a motion would not be necessary to apply for the grant, but was necessary to authorize the execution.

A motion was made by Commissioner Hancock authorizing the execution of a grant application; the motion was seconded by Commissioner Monaghan, and unanimously approved.

V. Financial Statement:

Chairman Watts referred to page 2 showing a large increase in water department sales to the City of Greenwood and inquired about what would account for the increase. Ms. Ogletree responded that she did not know specifically, but the guess would be because of the hot summer season. She added that consumption spiked during the summer months for everyone. Commissioner Monaghan referred to a schedule that was included in their packages showing the number of gallons processed from the water plant, and asked if the number of gallons pumped was matched against the number of gallons that are billed. Ms. Ogletree responded that we bill on the same schedule as with gas. Mr. Chapman interjected that a water accountability study for the efficiency of the water system was done routinely, and there is about 10% of unaccountable water for the year of 2007. He explained how that 10% consists of water leaks and water used that is unaccounted for. Mr. Chapman provided an example of unaccounted for water that might be used for flushing purposes for fire department training and not reported to us. He continued that by AWWA standards, 10% for a system of our size is very good. He stated that they do track that and had found two ponds this year where people were using our water to fill their ponds. Those were disconnected and the people were put on notice that they would be prosecuted if we found that again. Commissioner Monaghan noted that contractors could be using it without putting a meter on. Mr. Chapman agreed and noted that they track it very closely every month and again at year end. Commissioner Monaghan asked if they compare what is pumped against what is billed and if the difference is considered unaccounted. Mr. Chapman explained the various types of information that goes into a formula to arrive at 10% unaccounted water for the entire year. Commissioner Monaghan commented that it seemed 10% was a lot of water. Mr. Chapman responded that the AWWA has a formula based on the number of customers, the size of production, and the amount of distribution. Mr. Chapman noted that with almost 600 miles of line, anywhere in the range of 7% to 12% is considered good. If you get above 10% then you need to start looking for where you are losing water. Commissioner Monaghan recalled a leak study done a few years back. Manager Reeves responded that some of it is from leaks, but the majority would come from flushing, house fires where fire departments use water and we have no way of measuring those types of uses,

and similar things. Chairman Watts noted that the fire department had used a lot of water the past summer when the new library was going in to help settle the dust. Manager Reeves added that there was not a meter there; they had water running everywhere, and we ended up putting on a meter. Commissioner Hancock inquired about a meter at the Greenwood County Industrial Park on Highway 25 and noted an area with black plastic line running to where some trees were planted. Mr. Chapman responded that he was not familiar with that particular situation but would check into it. Commissioner Hancock stated that he called every time he saw someone getting on a fire hydrant without a meter. He commented that they might need to prosecute people stealing water like they do with electricity. He noted that tankers and some construction crews do the same thing on road work if you don't watch them. He recalled a time when a rural fire department had used water for water slides. Mr. Chapman commented on reading in the newspaper where a local fire department was using water to irrigate the lawn at a new construction for a private school. They went back and accounted for that water and then billed the fire department. Commissioner Monaghan referred to the pumping schedule provided that showed over a billion gallons were pumped in one year. Commissioner Monaghan noted that according to the report, 4,023,000,000 gallons of water was pumped from January through February of last year. He commented that 10% of that sounded like a lot of water. Mr. Chapman responded that does not mean that it is water leaking from pipes. He explained that it is not uncommon to lose 100,000 gallons in situations such as if a car hits a fire hydrant and we have not yet repaired the damage to stop the water loss. He recalled another situation at the dog food plant. They called about testing for insurance purposes that required them to run 100,000 gallons during a 30 minutes test. We required them to put a meter on their fire line. He noted that other industries also ran similar tests for ISO ratings on their fire systems and would not necessarily notify us. Commissioner Monaghan noted that 10% of 4 billion gallons would be 400,000,000 gallons, and asked if losing that amount per year was acceptable. Mr. Chapman responded that it was considered acceptable. Mr. Commetto agreed that it was acceptable within industry standards. Commissioner Hancock noted another example of water loss would be when they fluoridate the lines and have to flush that out for days, and also with washing down filters at the water plant. Manager Reeves commented that 400,000,000 gallons would sound like a lot of water to a layperson. Mr. Barnett added that although that amount is still within the acceptable standard, they are constantly looking at ways to mitigate it. Mr. Patrick returned to Commissioner Watts' earlier question about the increase in the city's water usage, and pointed out that it appeared that in looking at prior year and actual that the city use went up about 40% and overall above that went up in the neighborhood of 5%. He stated that it did not look like it was just overall consumption that was more. Ms. Ogletree stated that she would need to

look at it to know for sure. Commissioner Hancock pointed out that the tank mixing systems would cut down on some of the unaccounted loss. Mr. Patrick referred again to Chairman Watts' earlier question and clarified whether Chairman Watts was asking if there are a lot of new accounts or new usage. Chairman Watts responded that was what he wanted to know, and noted that it had gone from \$15,000 to \$27,000. Commissioner Monaghan asked when the Metro rate increase had gone into effect. Ms. Gorham responded that they were effective on January 1. Commissioner Hancock noted that Metro used a lot of water flushing out lines and asked if that was metered. Mr. Chapman stated that when they fill up their vacuum pump or trucks to flush out lines, they have a hydrant meter they put on and that water is billed. Commissioner Hancock stated that they just use a fire line sometimes when they come out to just wash a line out. Mr. Chapman stated that if they do and he sees it, he would make sure that they were stopped. Mr. Auman pointed out that they are not doing that anymore since they got a new high pressure rig for the tanker truck for most things. Mr. Chapman stated that Metro asked for a hydrant meter and they depend on them to put on the hydrant meter and to be honest, and he had no reason to believe that they are not. Chairman Watts joked that they were trying to help get water in the black for Commissioner Hancock. Manager Reeves noted that year-to-date income through December was a positive \$44,000, but added that was an unaudited number.

VI. Other Business:

1. Chairman Watts noted that it was necessary to add an *Executive Session* to the agenda. A motion was made by Commissioner Monaghan, seconded by Commissioner Hancock, and unanimously approved to include an Executive Session to discuss contractual and legal matters.
2. Manager Reeves reminded the Commissioners of the Chamber of Commerce Annual Dinner at Lander University that evening.
3. Manager Reeves reminded the Commissioner of the annual service awards banquet at the COC on the following Thursday, January 31.
4. Manager Reeves reminded the Commissioners of a City Council meeting on Monday, January 28 at 5:30 p.m.
5. Manager Reeves presented a request from the water department for a meter vault for Eastside School. He recalled a recent purchase of three vaults for a couple of schools at a cost of \$12,305 each, and that vendor had agreed to honor the same price. He stated that the request was to authorize the purchase of an additional vault for this project at a cost of \$12,305.

A motion to authorize the purchase of an additional water meter vault as presented was made by Commissioner Monaghan, seconded by Commissioner Hancock, and unanimously approved.

6. Manager Reeves presented a request from Ms. Ogletree to transfer \$1,392,512.64 from the 2007 Bond Construction Fund into the General Operating Fund to reimburse for projects that were already paid out of the General Fund.

Commissioner Hancock made a motion to approve the transfer of funds.

Commissioner Monaghan inquired as to how this was handled in the monthly financial report. Ms. Ogletree stated that the projects are reflected in the cash balance report as they are paid. The expenses are actually reported and are not incorporated into water, gas, or electric expenses. She added that there are separate spreadsheets showing the bond projects. Commissioner Monaghan asked if it would affect the bottom line of net income shown on page 1. Ms. Ogletree responded that it did not. Commissioner Monaghan asked if there was any effect on any of the numbers shown on page 6. Ms. Ogletree responded that there was not. Mr. Patrick noted that it was not shown on the income statement, but would show up on the balance sheet as less cash in the bank; then when you put the money back it would show up as more cash in the bank. Mr. Barnett stated that pages 9 through 12 showed the bond fund money and how much is spent on each project. Mr. Patrick noted that it would not affect net income.

Commissioner Monaghan seconded the motion made earlier by Commissioner Hancock, and the motion was unanimously approved.

7. Manager Reeves stated that there was no new activity to report with annexation issues at this time. He recalled a discussion at the last meeting on the potential of serving the new boxes coming in at Lowe's and on the Corley property, and reported that CPW would be serving both. Commissioner Monaghan inquired about Duke Power moving a telephone pole at the Genetic Center, and Mr. Meredith responded that it should happen soon. Commissioner Hancock commented on an outstanding ad in the past Sunday's newspaper. Mr. Gentry noted that they had talked about running ads a couple of times per year on gas repair and distributed copies of a bill insert. Manager Reeves stated that there was a question as to whether to include the charges, adding that his preference was not to include them because each situation is different and that could cause confusion. Mr. Patrick noted complaints from repair people in the past about being in competition with them. Commissioner Monaghan stated that the ads were very good;

however, he would like to see the amount of the rebates for different appliances incorporated to include more detail. He noted that people are less likely to call and ask than they would be to read about them. Mr. Gentry responded that rebate amounts would be included. He added that he tried to change the ads from time to time to keep them more interesting. Chairman Watts inquired about the amount of rebates being issued. Manager Reeves noted that there were a good many, adding that a contractor at Grand Harbour was really taking advantage of rebates by putting in gas appliances because the rebates go back to him. Commissioner Monaghan suggested reconsidering the picture that would be used on the ad Mr. Gentry had provided. Mr. Gentry stated that he tried to use an image that grabs attention and Commissioner Monaghan agreed with Mr. Gentry's approach. Chairman Watts asked if at some point they would check on the rebates to see if they are financially responsible. Commissioner Monaghan stated that the builders were all doing it and expressed the opinion it was a good program. He noted that if they put in a gas furnace, it would be there for about sixteen to seventeen years and even up to twenty years, where before they were putting in heat pumps. Commissioner Monaghan asked how that could be measured. Mr. Whittle stated that they would take a look at it and see what they could determine.

8. Manager Reeves provided handouts of a spreadsheet showing vehicle maintenance bids for CPW versus Metro. He stated that Mr. Burnett had informed him that several vendors wanted to increase their charges, so this information may no longer be valid once those are rebid. Mr. Burnett noted that the prices shown had held for two years since 2006, but a couple had told him that they needed to increase their pricing.

VII. Executive Session:

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

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

Approved: _____, 2008

Secretary

