COMMISSIONERS OF PUBLIC WORKS
Minutes of January 28, 2010

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, January 28, 2010 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Gene P. Hancock	Ken Barnett	George Petersen	Vicki Knott
Michael G. Monaghan	Jeff Auman	Jeff Elliott	Stacia May
Henry O. Watts	Carlos Cometto	Jeff Chapman	Bill Patrick
	Denise Ogletree	Vickie Gorham	Michel Nix
	Jerry Smith	Jeff Meredith	Jean Martin

I. Chairman Hancock called the meeting to order. The invocation was given by Ken Barnett.

II. Chairman Hancock gave the statement of compliance with the notification provision of the Freedom of Information Act.

III. Financial Statement:

With no questions from the Commissioners, the financial statement was received as information.

IV. Business:

A. Mr. Michael Nix with Greenwood Capital provided a quarterly investment report. He reported on realized gains and losses on pages one and two of the report that is a listing of any bonds in the portfolio that were matured, called or sold during the period. He noted that quite a few bonds were called, particularly in the third and fourth quarters. He stated that the good news is that rates had moved back up giving an opportunity to buy at some higher levels than what had been seen over the last twelve months; the bad is that sometimes when you are buying those bonds, you get some accrued interest and will have some short-term impact in interest because you are having to pay for that accrued interest. From an accounting perspective, you will see quite a few inflows and outflows. Mr. Nix noted nothing from those pages that drew additional attention. He referred to pages three and four, a listing of current assets of the account, all in the state statute approved securities, including U. S. Treasury Bonds and U. S. Agency Bonds. He shared that from a strategic standpoint, they would probably do two things. One is extending duration or maturities on the issues for yield curve; they actually get paid to take on additional maturity risk. The second thing would likely be to move money from Agency Bonds over to Treasury Bonds because agencies have gotten pretty rich to treasuries. They want to take opportunities to move into that asset class and will move back and forth as done over the years. Mr. Nix noted a low amount of cash kept available for the monthly disbursement made to the Debt Service Reserve Fund; cash is available for that and then moved over to that fund. Mr. Nix referred to the performance report on page five showing portfolio values at the beginning of the year, withdrawals subject to the $70,000 odd dollars that comes out per month, and realized and unrealized gains and losses with impact caused by changes in yield curve. He explained how accounting works for the organization for a realized gain and loss in that whatever the cost of the bond, the amortization is not really shown. That difference is shown whenever it matures or is sold; if it is a premium, it shows as a realized loss when it is not really a true loss. The first page is a reconciliation showing actual net gain or loss on bonds including the interest income. Mr. Nix then reported on the Revenue Bond Fund and referred to a statement of the assets sold, called or matured during the period on page six. He noted nothing of interest, other than a South Carolina Municipal Bond sold in the account that is a qualified asset under state statute. He continued that with the credit dislocation seen in the later part of 2008, South Carolina AAA Municipal Bonds were trading at a higher yield than U. S. Treasury Bonds; they took that opportunity to buy those and pick up additional yield without taking on any additional risk as relates to duration of maturities. He stated that normally those municipal bonds trade at about a 25% discount to the treasuries, but at this time were actually trading at about 125% over and were pretty attractive at that time. Mr. Nix referred to page seven showing a current listing of assets in the account, noting that the account is managed to a draw down schedule. They always make sure there is cash; maturities are set up so as to maximize interest and to meet draw down schedules. Mr. Nix reported that page eight showed a performance report with beginning value, withdrawals, interest and final value as of December 31, 2009. He stated that there is an opportunity with this account with the draw down constraints to look at maturities with excess and to stretch them out to pick up some additional yield. He concluded that they are in a pretty good position as yield curve has deepened; with a lot of volatility with the bond market, they continue to look at opportunities while staying within state statute. Commissioner Monaghan asked about the comfort level with Fannie Mae. Mr. Nix responded that they are comfortable, obviously that is a situation they had continued to discuss with the Commissioners over the last 24 months. They look at maturity exposure in that area and also the funding and support expectations outlined by the government, as well as communicate with the State of South Carolina

Treasurer's Office. He stated that was one of the things with the spread of agencies to treasuries that got really tight. With all those being equal, they are trading this rich to treasuries and with some certain additional risk to that asset class, remove that risk and start to move that back over to treasuries. He stated that traditionally, agencies will trade at 45 or 55 as a spread over comparable treasuries that are at 25 or 30 right now. Historically, that is very rich; that is good because they hold so many of them, but now let's sell them and move on. Mr. Patrick asked if the bond fund was being held by the Bank of New York. Mr. Nix responded that is was not; the Debt Service Reserve Fund is held by Bank of New York, CPW has given them authority to manage those assets although those had not been fully released and are still working with that. He stated that as they work through that this year, they will likely provide an additional report on the Debt Service Reserve Fund. Now is an even more important time to do that because the government is going to put additional restrictions on money market funds that will further impact ability to generate any interest in those funds, particularly for a subdivision where you are constricted on what you can buy. Now that the account has built up, it would be good to go out and invest those bonds, with some constraints around it, to pick up additional interest. The balance after two years should be to the point where it is easier to go out and buy individual securities to pick up additional yield. Mr. Patrick asked if these are funds received from the bond issue; Ms. Ogletree responded that the funds are from the bond proceeds used to fund construction and not used yet for projects.

B. Chairman Hancock presented a recommendation to accept the low bid from HD Supply in the amount of $17,200 based on lowest cost of ownership for two 225-KVA padmount transformers.

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

C. Chairman Hancock presented an amendment to COBRA insurance for consideration. He noted that this recommendation came through a memo from John Phillips who administers the health insurance program. The memo recommends changing the methodology for billing COBRA employees who are no longer part of the active CPW family. The breakdown would provide tiered rates for single/employees only, employees and children, employee and spouse, or family coverage, with all at different rates. The recommendation is that this change be adopted effective on January 1, 2010. Commissioner Watts inquired if this would be primarily ex-employees and retirees; Mr. Barnett responded that COBRA is for those who have left employment for reasons other than retirement. Under federal law they have the right to purchase insurance through us. Ms. Knott added that this would also apply to students when they come off the coverage at a certain age. Mr. Barnett noted that it could be an employee or a family member that was covered. Commissioner Watts asked how many there would be; Mr. Barnett responded that it occurs every so often, not a whole lot of them. Mr. Patrick stated that the theory is that they are supposed to pay the full cost of the insurance and he assumed that was how Mr. Phillips calculated the rates.

A motion was made by Commissioner Monaghan to approve the COBRA rate change; the motion was seconded by Commissioner Watts, and unanimously approved.

V. Other Business:

1. Commissioner Monaghan inquired about recent grant activity. Mr. Barnett responded that they had just returned from the trip to Washington, D. C. where they spent two days meeting with our three congressmen and their staffs to go through projects. He stated that the response was favorable, but it is a matter of whether it will be included in the appropriation law; hopefully, the outcome will be positive but is unknown at this time. Two of the three staffs were very favorable. We are asking for an earmark in the appropriations. Senator DeMint's office was not favorable but has taken a stance against those things all long so that is not a change; they discussed with them that it does not matter whether it is an earmark or any other avenue with funds. His office directed them back to their state representative.

2. Commissioner Watts inquired about the propane plant property. Mr. Barnett responded that there was nothing new; the last thing heard was that Callison Dorn was to file something within two weeks, and that time is almost up. If that does not happen, we go through the old-fashioned way with the railroad which will take a long time.

3. Commissioner Watts inquired about the city pond property. Mr. Barnett responded that nothing new had been heard.

4. Commissioner Monaghan commented that it was good to see we are the second lowest municipal utility in the state for electrical rates. He asked where Duke Energy would be on the list; Mr. Meredith responded they would be close to the top, CPW may be slightly higher with the residential rate because of the fuel adjustments over the last year, but are lower on the commercial side. He noted that would not last long with Duke's upcoming rate increase.

VI. Executive Session:

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

The meeting returned to open session. Mr. Patrick stated that during *Executive Session* discussion took place on a potential contract matter for designing and installing a new pump at the Wise Water Treatment Plant at Lake Greenwood. The Commissioners expressed that they wanted to make a motion to authorize management to proceed with design and bidding for installation of a new raw water pump having a capacity of approximately nine million gallons per day at the water plant, and to authorize management to use up to $350, 000 of the 2007 bond funds to pay for such design and installation.

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

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

Approved: _______________, 2010 ________________________________

Secretary