

COMMISSIONERS OF PUBLIC WORKS
Minutes of January 23, 2014

The regular meeting of the Board of Commissioners of Public Works was held on Thursday, January 23, 2014 at 10:00 a.m., in the Boardroom at 121 West Court Avenue.

In attendance:

Arthur C. Bush	Steve Reeves	Wayne Bartley	Bill Patrick
Michael G. Monaghan	Teresa Lake	Jeff Auman	John Wiseman
Henry O. Watts	Eduardo Noriega	Jeff Chapman	Lynn Turner
	George Petersen	Stacia May	Chris Trainor
	Jerry Smith		

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

II. 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 Commissioner Bush to approve the minutes of the budget work session on December 6, 2013, and the regular meeting on December 12, 2013; the motion was unanimously approved.

IV. Financial Review:

A. Mr. John Wiseman, with Greenwood Capital Associates, provided an investment report for year ended December 31, 2013. He noted a challenging year when the Fed began to remove the amount of stimulus provided to the economy. He stated that five-year treasury yield nearly tripled from around 0.6% up to around 1.8%. He explained that when interest rates move higher, the market value of existing bonds moves lower. We still get the expected yield or return when the bond matures. Mr. Wiseman referred to the Main Investment Account, pointing out gains of bonds that matured during the year, beginning with the cost of the bonds, any proceeds when it matured, any accrued interest that was paid when the bond was purchased, the income received during the life of the bond, and the net of right at \$70,000. He noted the current positions in the portfolio consisting of S. C. Municipal Bonds, Treasury Bonds, Federal Agency Bonds, and government mortgage-backed securities. He noted performance for the year that consisted of beginning

value or market value of bonds on December 31, 2012; any contributions or withdrawals in the account; realized and unrealized gains or losses; any interest payments received; and the ending or market value of the bonds on December 31, 2013. Commissioner Bush asked for clarification of realized and unrealized gains. Mr. Wiseman explained realized gains as those bonds that were either sold or had matured and the difference has been realized, that is the difference between what was paid and what was received. Unrealized are those bonds still outstanding, and assuming those go to maturity, the expected yield when the bond was purchased will be received. Commissioner Monaghan asked about strategy with bonds being held that lose value, and specifically if they can get out of those at a loss in order to invest in something better. Mr. Wiseman responded that typically those are held to maturity because they have an idea going in to purchasing. He gave an example of a bond with an expected return of 1.5% that may fluctuate in value up and down in market price. At the end of the term when they get back the maturity of the bond, they would receive 1.5%. He continued that there are some occasions when they have seen a significant move or feel a change is needed in the portfolio; in that instance, they may sell a bond and realize a gain or loss at that time to either buy a little longer bond and maybe pick up interest, or buy a shorter bond with the thought that rates may continue to move higher. Mr. Wiseman then reported on the Debt Service Reserve Fund Account, noting realized gains and losses and unrealized gains and losses with current positions in the account. He reported on account performance noting no contributions or withdrawals in the account, just gains, losses, and interest, and beginning and ending market value. Mr. Wiseman further addressed Commissioner Bush's earlier question on realized gain, noting that a bond purchased after it has been issued may be purchased at a premium or at a discount to par. He provided an example of a bond purchased at a premium with an expected higher coupon flow. If they paid 101% of the value of the bond, then at maturity received 100%, that difference shows up on the reports as a realized loss. Along the way, you are receiving a higher coupon stream. He then reported on the Revenue Bond Proceeds Account that is a short-term bonds proceeds account, noting bonds that had matured through December 2013. He pointed out current positions and performance of the account, adding that some cash is being held to look for opportunities. Mr. Wiseman moved to the Gas Rate Stabilization Fund that is a relatively new account with just a handful of bonds that matured during 2013. He noted unrealized gains and losses showed a larger portfolio of holdings. He shared performance with beginning market value in 2012, withdrawals and losses, and interest. Commissioner Bush states that basically in looking at gains, it appears to be coming from interest slightly offsetting the losses in bond value. Mr. Wiseman confirmed that was correct. Chairman

Watts asked about a withdrawal from Gas Rate Stabilization; Ms. Lake responded that it was for fees. Mr. Wiseman concluded with the Electric Rate Stabilization Fund noting a few bonds had matured in 2013, current positions, and performance of the account. He stated that they are extremely pleased with performance given the high interest rate environment. He stated 2014 is anticipated to be more of the same with more gradual move than was seen in 2013. The first shot last year was the Federal Reserve reducing the stimulus by purchasing Treasury Bonds to keep rates low. At the December meeting, they decided to reduce the amount being purchased. There will be change at the Federal Reserve with a new Chairperson, but no changes are anticipated to their plan. They should continue to reduce the amount of stimulus at upcoming meetings. The economy should allow them to do that with growth at about 4%, according to GDP. The volatility around the world is relatively low. We are positioned nicely to benefit from a higher interest environment, as well as to reinvest proceeds.

- B. Commissioner Bush first commented on the excellent financial results for 2013. He then noted that in comparing beginning and year end on page 20 of the financial reports, the inclination is to look at profit and loss at the level before depreciation, which showed good results, but then there was a negative \$3 million in cash flow. He expressed an expectation before getting to that point to see growth in cash flow. Ms. Lake responded that amount is comparing November to December and not January to December, and is not actual year-to-date. She stated that the heading probably needed to be changed, and that a comparison would be provided to the Commissioners. She added that should show a different picture; there would also be an explanation if it did not. With no further questions or comments, the financial statement was accepted as information.

V. Business:

- A. Manager Reeves presented a request to donate equipment purchased some years ago by the gas department for use in confined spaces to the City of Greenwood Fire Department. Since some policies have changed since that time and employees no longer enter confined spaces where gas is flowing, the respirator equipment is no longer need. Commissioner Bush asked about any expectation for future needs; Mr. Noriega responded that would not be the case, and in fact the equipment had never been used. He further explained that prior to last year, there were three underground valves. Also, previous directors had made an assessment that if gas is blowing in a hole, they would enter the hole. His philosophy is different; there is no need to put an employee in an unsafe situation. There are other techniques and procedures

to contain the gas and still be safe without physically entering the hole. Manager Reeves asked about the valves that were previously in confined spaces. Mr. Noriega responded that two were abandoned and the other opened up. Manager Reeves noted an approximate value of \$5,000 for the equipment to be donated to the City of Greenwood Fire Department. There are approximately twenty masks and several hundred feet of breathing hose and wheels.

A motion to donate the equipment was made by Commissioner Monaghan, seconded by Commissioner Bush, and unanimously approved.

VI. Other Business:

1. Manager Reeves reminded the Commissioners of a pre-bid meeting at the COC, on February 27, for the construction of the new electric department shed at the COC. He reminded them of the Annual Awards Banquet that will also take place on February 27, at 6:00 p.m., at the American Legion.
2. Manager Reeves presented a request for a change order, in the amount of \$11,141.23, for ongoing work at the water treatment plant. He noted some sense of urgency with the change order that came about after the agenda had already gone out. Mr. Patrick stated that this is not something typical and given the amount and subject, it would be appropriate to go ahead and deal with it. He added that it is being revealed in the meeting, although there was not enough time get it on the agenda. Manager Reeves continued by noting leaks in some of the basins at the water plant that were thought to have been corrected; they will now try injecting a different type of epoxy into the cracks or seams in hopes that will work. He noted that they still remain well under the beginning budgeted amount by approximately \$40,000.

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

VII. Executive Session:

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

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

Approved: _____, 2014

Secretary