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Council: Billy L. Clear
Shannon Donnelly
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Director-Public Works: Jay Keen
Fire Chief: C. David Haynes
Building Official: C. David Haynes
Director-Recreation/Special Events: Jeff Smarr
Legal: Cassell & Crewe. P.C.

Town Manager's Report to Mayor and Town Council

November 12, 2023

Possible Funding on Asbestos Removal at Smyth Farm Bureau

I have been working with the Smyth Farm Bureaus the last several weeks attempting to get them some funding for the demolition of the old storage building just west of the present building on west main Street. I have made contact with the Mt. Rogers Planning District Commission (PDC) on possible funding through the Department of Environmental Quality's (DEQ) Brownfield Assistance Fund Program. This program was able to provide $50,000 for an asbestos and lead study and removal from the old Superior Mills Building as part of its demolition as part of the Downtown revitalization Project several years ago.

The Farm Bureau had an estimate done by Empire Salvage & Recycling out of Princeton, West Virginia. They estimated that the cost of the demolition and removal of the materials would be $85,000, of which $60,000 would be for the removal of the approximately 12,000 square foot roof. The asbestos study was done by SanAir Technology Laboratory from Christiansburg.

It is my understanding from PDC personnel that up to $50,000 for removal of asbestos at a one dollar to one dollar match. Others cost may be eligible too. The grant is an open submission one that has no particular submission deadline. Funding would be dependent on availability and impacts. At this time the PDC has not been able to provided specific selection criteria, but I assume it would be based on blight removal an economic development.

If the funding can only be used for asbestos removal, then the project would be eligible for $30,000, or one half of the $60,000, with the Farm Bureau responsible for the other $30,000. I will keep you posted on developments as they occur.

Finalizing the East Lee Pedestrian II Project

We had a final meeting with the Virginia Department of Transportation (VDOT), Thompson and Litton and Mt. Rogers Planning District Commission on the East Lee Highway II project to discuss two outstanding issues.

One was an overpayment made to the contractor, Jones Road and Bridge of Abingdon in the amount of $7,077.85. This was a result of an error in Pay Application 3. In review Thompson and Litton found this error and notified the contractor. Jones delivered the overpayment to the Town on October 31.

The second issue was that on the last pay reimbursement to the Town, $16,641 was withheld by VDOT. I understood it was because some funding source of VDOT has exhausted its funds. I was asked to write a letter to VDOT requesting that extra funding. I will send that letter out in the near future.

Notice of Award from Virginia Department of Health on Second Allocation on Water

Improvements Projects

You have a **Very** important letter in your packet dated October 26, 2023 from the Virginia Department of health signed by Ms. Kelly Ward, Director of Financial, Construction & Assistance program. This relates to the Seven Mile Ford Water Line Replacement Project, and the System Wide Meter Replacement Project.

This is the second offer of $2,666,000. This offer consists of $798,000 in principal forgiveness (grant) and $1,862,000 at 20 or30 years at possible rates you can see in the third paragraph of the letter. The first offer came in on April 6, 2023 and had more grant. It was in the amount of $3,500,000, of which $2,345,000 was principal forgiveness and $1,155,000 in loans. That loan amount has been determined to be a 30 year term at a rate 0.5% below the 30 year market rate and not less than 1.5%. The total package is $6,160,000, which is the amount we applied for. The first above mentioned package was accepted by Council in April.

Our Engineer Dennis Amos Hurt and Profiitt has prepared a spread sheet dated October 27, 2023 showing the entire award of the above mentioned $6,160,000 and the amount of Principal Forgiveness at 51% or $3,143,000, and Loan at 49% or $3,017,000. Dennis also gave payback percentage rates at 3.5% to 5.5%. Using the middle number at 4.5% the yearly debt service payment would be $183,440.35 per year.

Using the budgeted 2023-24 water expenditures amount of $1,682,941, that would mean that rates would have to be raised about 10.9% to cover the debt. This does not include any other capital needs or inflation. The 10.9% increase would **only cover the debt.** It is my understanding that the payments would begin six months after the project is completed. Hurt and Proffitt is designing the project now. I don’t see it being started until early 2025 and being completed in late 2025 or early 2026. If that scenario is correct payments on the loan would not begin until fiscal year 2026-27.

As you can see by the letter from Ms. Ward and the Health Department, they would like an answer by December 1, 2023 to move forward on the project. In summary, although this is a significant increase in the Town's long term debt obligation the project will result in the four mile long replacement of the Seven Mile Ford asbestos line dating back from the 1950's or 1960's that is going to have to be replaced one day anyway. It will also result in all our 2,500 meters being replaced with more efficient reading, and with the ability to radio read in the truck, as opposed to the meter reading crew having to get out of the truck at each read. And **getting 51% grant on $6,160,00 is a pretty darn good deal. Finally, this money is from the Bipartisan Infrastructure Bill and it is doubtful we will ever see this amount of money again in our lifetimes.**

Status of $3,318,505 Infiltration and Inflow Project (I&I) Sewer Project Following Zoon Call

Another significant Public Works Project is on the horizon, hopefully, is the system wide sewer I&I project. We had a Zoom call with various agencies on the line including the Department of Environmental Quality (DEQ), the Virginia Resource Authority (VRA), our engineer Hurt & Proffitt; Spilman, Thomas and Battle (bound Counsel) and our staff.

To briefly summarize, we are asking Council's permission to move forward on the project and begin advertising. If granted ads will appear in the Bristol Herald Courier and Roanoke Times on November 19. The Pre bid meeting is slated for November 29th and on December 21 the bid opening is slated. In order to be compliant with some public financing requirements some type of hearing may be required at Council's December 14 meeting.

VRA stated we have until March 31, 2024 to Close on the project considering the 2021-22 audit is now completed. VRA said the three existing wastewater bonds will have to be converted to General Obligation Bonds, along with this one, since our revenue to expenditure ratio is not 115%. They further stated that Rural Development would require "Parity" on these bonds and this could take several months considering recent retirements and this process now a having to be done on the state or federal level now.

I explained that Clerk Treasurer Felicia Eller has never dealt with this process before and we do not know what information Rural Development will be asking for to complete the "Parity" process. Hopefully it will be boilerplate information that will be needed like budget and audit numbers. We may be need to rely more than normal on our auditors for this information. As said above we have until March 31,2024 to get this done.

The 2022-23 audit needs to be completed by March 31, 2024. If that is done we will have a full year from April 1, 2024 to get Closing on the project. Juan Garcia of Hickock, Brown and Company of Abingdon said that if Greg Tucker of Bostic and Tucker of Lebanon had the audit report to him by January 1, 2024, he could get the report written up by the March 31 deadline.

Respectfully Submitted and Happy Thanksgiving

John E. B. Clark, Jr.

Town Manager