



**AGENDA
TOWN OF BLUEFIELD
TOWN COUNCIL MEETING
June 13, 2017**

- 6:30 p.m. Work Session – [Capital Improvement Projects: Water Department](#)
- 7:30 p.m. **Call to Order**
- 7:31 p.m. **Invocation and Pledge of Allegiance**
- Jim Drake, Parkview Baptist Church
- 7:32 p.m. **Approval of Agenda**
- 7:33 p.m. **Consent Agenda**
- [May 23, 2017 Meals Tax Increase PH Minutes](#)
 - [May 23, 2017 FY 2017/2018 Budget PH Minutes](#)
 - [May 23, 2017 Council Meeting Minutes](#)
 - [May 30, 2017 Special Called Meeting Minutes](#)
 - [Monthly Budget Report – May 2017](#)
- 7:34 p.m. **Citizen Requests & Special Presentations**
- 7:35 p.m. **Committee Reports**
- 7:36p.m. **Unfinished Business & Reports**
- Videoing Council Meetings, **POSSIBLE VOTE** – Mike Watson
- 7:41 p.m. **New Business and Reports**
- [Budget Amendments](#), **VOTE** – Mike Watson
- 7:44 p.m. **Town Manager's Report**
- Capital Improvement Project-VDH Funding, **POSSIBLE VOTE**
 - Visitor's Center Ribbon Cutting, tentatively scheduled for June 28th
 - Harmony Acres Pool opened on Monday June 5th
 - Evening Shade: Bill Archer & Karl Miller June 16th
 - Fun in the Sun: June 13th 10 a.m. – 12 p.m. at Depot Park
 - Night Swims: Every Wednesday beginning June 14th 7 p.m. – 10 p.m. at Harmony Acres
 - Community Garden
 - Farmer's Market: every Friday 8 a.m. – 12 p.m.
 - [Upcoming Events](#)
- 7:50 p.m. **Citizen Comments**

7:55 p.m. **Council Comments**

8:07 p.m. **Attorney Report**

- [Ordinance to Increase Tax on Meals – 1st Reading, VOTE](#)
- [Ordinance to Approve and Adopt the FY 2017/2018 Budget, - 1st Reading, VOTE](#)

8:15 p.m. **Executive Session:** Section 2.2-3711-A-1.1

8:45 p.m. **Executive Session:** Section 2.2-3711-A-1.1

9:15 p.m. **Executive Session:** Section 2.2-3711-A-1.3

9:45 p.m. **Adjourn**



COMMONWEALTH of VIRGINIA

Marissa J. Levine, MD, MPH, FAAFP
State Health Commissioner

DEPARTMENT OF HEALTH
OFFICE OF DRINKING WATER

Madison Building
109 Governor Street, 6th Floor
Richmond, VA 23219
Phone: 804-864-7500
Fax: 804-864-7521

May 11, 2017

Subject: Tazewell County
Water – Town of Bluefield
WTP Upgrade/WL Replacement
WSL – 001-18

Mr. Mike Watson, Town Manager
Town of Bluefield
P.O. Box 1026
Bluefield, VA 24605

Re: 2018 Drinking Water Construction/Financial Assistance
DWSRF Initial Offer

Dear Mr. Watson:

The Virginia Department of Health (VDH) has completed a preliminary review of your application for drinking water construction funds. The determination of the funding package is shown below; however, this determination and your inclusion in VDH's Intended Use Plan is contingent on the availability of federal and state funding as well as the conditions below.

Based on the information provided, VDH determined the total funding package for your project is estimated to be \$1,969,674. The funding package was determined using information provided in your loan application.

Your project may be eligible for special funding under our Disadvantaged Program. There are several funding options for your project. Please indicate which option you will commit to in your response letter by indicating your selection as *Option 1*, *Option 2*, *Option 3*, or *Option 4*. If you select Option 1, 2, or 3 indicate your plans for complying with the rate adjustment requirements in your response letter.

Option 1: \$256,000 as principal forgiveness (grant funds) and \$1,713,674 as 30 year loan at 2.5% interest.

To qualify for this offer VDH requires you to commit to adjust user rates to exceed the target rate (1.0% of MHI) prior to project completion. Alternatively extended term loans at below market rates are available for projects that have design lives that exceed 30 years. Please notify us if you are interested in participating in this program.

Your project may be eligible for an additional interest reduction of 0.25% under our Capacity Building Program. To qualify for this offer VDH requires a commitment to adjust rates to ensure minimum compound revenue increases of 2%¹ each year for the next five years. If you will participate in this special Program please indicate your plans for complying in your response letter.

¹ Alternatively owners may commit to using an inflationary linked index such as the Consumer Price Index (CPI) or the Personal Consumption Index (PCE).

Option 2: \$256,000 as principal forgiveness (grant funds) and \$1,713,674 as a 30 year loan at 2.5% interest. To qualify for this offer VDH requires: a minimum increase of user rates of 10% for the first year, 5% for the second year, and a commitment to adjust rates to ensure minimum compound revenue increases of 2%² each year for the next five years, or

Option 3: 100% as 30 year loan funds at below market rates. The funding package consists of a **100% loan for a term of 30 years** (or the design life of the project, whichever is less). The interest rate on the loan will be **2.5%**. To qualify for this offer VDH requires a commitment to adjust rates to ensure minimum compound revenue increases of 2% each year for the next five years, or

Option 4: 100% as 20 year loan funds at below market rates. The funding package consists of a **100% loan for a term of 20 years** (or the design life of the project, whichever is less). The interest rate on the loan will be set equal to 1% below the 20 year AA municipal bond rate at the time of loan closing. You are not required to adjust rates.

Each offer requires a commitment to evaluate revenues and adjust rates (beyond what is required) as necessary to ensure revenue growth that factors in increases (e.g. operational costs, inflation, etc.), other costs (e.g. asset/equipment replacements, technology upgrades, capital improvements, etc.), and takes into account other potential revenue reductions (e.g. future regulations, reductions from water conservation, etc.). VDH urges waterworks owners establish and fund a capital reserve fund that adequately supports capital improvements and asset replacements.

The financial information submitted indicates the owner should raise or adjust water rates; having adequate financial resources is crucial to maintaining a successful and sustainable waterworks. Furthermore, VDH recommends waterworks owners implement a revenue growth model that includes automatic annual rate adjustments that exceed inflation. VDH recommends waterworks self-evaluate their financial position using the attached *Building Financial Sustainability/Financial Health Indicators* to ensure they are able to provide for financial sustainability. You should begin to prepare your latest audited financial statement to avoid any delays in credit review and loan closing.

Currently the federal Drinking Water State Revolving Fund (DWSRF) appropriation and final requirements have not yet finalized. However all recipients should expect complying with the American Iron and Steel, Davis Bacon Prevailing Wage, and other provisions will be required.

The funding package and loan closing are conditioned on and are subject to change based on (but not limited to) the following:

- (1) The availability of federal and state match funds to support the DWSRF Program,
- (2) New restrictions/conditions that the EPA or VDH may require in the use of the SRF funds or for participation in the Program,
- (3) The purpose, benefit, or scope of the project changes from the Preliminary Engineering Report (PER) or the DWSRF Application; or the VDH-ODW Field Office does not concur with the project purpose, benefit, or scope,

² Alternatively owners may commit to using an inflationary linked index such as the Consumer Price Index (CPI) or the Personal Consumption Index (PCE).

Mr. Mike Watson, Town Manager

May 11, 2017

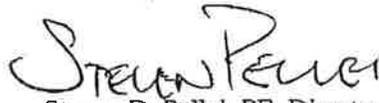
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- (4) Owner complying with the DWSRF Program requirements, and owner's progress to a timely closing according to a pre-negotiated schedule, or delays/changes in project readiness to proceed,
- (5) Owner's history of activities with the ODW/DWSRF Program (i.e. late or non-payments or non-compliance),
- (6) Owner obtaining user agreements from future water users in the project area, (if applicable)
- (7) The financial estimates provided in your loan application changing,
- (8) Owner's ability to secure the loan, all loan offers will require a credit report acceptable to VDH,
- (9) Owner soliciting other lenders for parity on this new debt,
- (10) Owner being debarred or suspended from applying for state or federal funds,
- (11) Waterworks maintaining compliance with the *Virginia Waterworks Regulations* and other applicable state/federal laws, regulations, policies, and procedures, and
- (12) EPA mandates that all program assistance recipients demonstrate full technical, financial, and managerial capacity in order to receive funds. VDH may place special requirements on recipients in order to ensure capacity requirements are met prior to loan closing.

An acceptance of this funding offer reflects a commitment on your part to these requirements. VDH reserves the right to by-pass any project that has not executed financial agreements within 12 months from the date of VDH's original award letter.

Please notify me in writing as soon as possible but no later than June 12, 2017 at the address above of your acceptance of this initial funding package offer or any concerns and additional factors that should be considered. Failure to notify me can be deemed as your withdrawal from this program. Please use the above referenced project number and name on all correspondence. If necessary I can be contacted at (804) 864-7489 or at steve.pellei@vdh.virginia.gov.

Sincerely,



Steven D. Pellei, PE, Director

Division of Construction Assistance, Planning & Policy

cc: J. Dale Kitchen, PE, Project Supervisor, FCAP
Cumberland Plateau Planning District Commission
E. Sue Cantrell, MD, Pharm, Acting District Health Director
Ray Whitner, ODW Field Director, Abingdon Field Office

VDH/OFFICE OF DRINKING WATER
FINANCIAL AND CONSTRUCTION ASSISTANCE PROGRAMS (FCAP)

Building Financial Sustainability/Financial Health Indicators

Having adequate financial capacity and an acceptable credit review is a Program requirement for revolving fund loan projects. Listed below are some financial indicators that may be evaluated during a review by VDH or by the Virginia Resources Authority (VRA). Reviews are not limited to the factors listed below and may include other factors.

Revenue Pledge Factors: *(User fees pledged for loan repayment)*

1. **Debt Service Coverage Ratio:** Net Revenue (revenue – O&M) available for debt service divided by applicable debt service. Evaluated using the first two fiscal years after project completion.
 - Poor Less than 1.15x
 - Adequate From 1.15x to 1.5x
 - Strong Greater than 1.5x

2. **Days Cash on Hand:** Amount of total available unrestricted liquid reserves divided by daily operating expenditure requirements.
 - Poor Less than 60 days
 - Adequate From 60 to 120 days
 - Strong Greater than 120 days

3. **Operating Ratio:** Total operating income plus operating reserves divided by total operating costs (not including debt)
 - Poor Less than 1.1
 - Adequate From 1.1 to 3.0, Small systems (1.25 to 3.0), Medium and large (1.1 to 2.0)
 - Strong Greater than 3.0 Small systems (3.0), Medium and large (2.0)

General Obligation Factors:³ *(Locality pledges its full faith and credit, backed by taxing power)*

4. **State Aid (if applicable):** Available state aid divided by applicable debt service.
 - Poor Less than 1.0x
 - Adequate From 1.0x to 1.5x
 - Strong Greater than 1.5x

5. **Debt Service vs. Expenditures:** Debt service compared to the total operating budget.
 - Poor Greater than 15%
 - Adequate From 10% to 15%
 - Strong Less than 10%

6. **Unassigned Fund Balance:** Unassigned fund balance vs. total revenue.
 - Poor Less than 5%

³ Evaluate the debt, revenues, and expenses of the entire entity and not just the waterworks enterprise fund

- Adequate From 5% to 10%
- Strong Greater than 10%

7. **Debt Payout Ratio:** Measurement of how much debt is paid off in ten years.

- Poor Less than 50%
- Adequate From 50% to 60%
- Strong Greater than 60%

8. **Total Debt vs. Total Valuation:**

- Poor Greater than 6%
- Adequate From 2% to 6%
- Strong Less than 2%

Other Factors:

9. **Affordability Index Target:** Annual residential bill divided by Annual Median Household Income (MHI).

- 1% for average gallons per month*
- 2% for 5,000 gallons per month

* Use the rate structure (in-town, if applicable) for residential customers and apply it to the average monthly residential water usage to derive the average monthly user rate for evaluation under the DWSRF Program. The average monthly residential water usage is to be based on residential water meter data. Waterworks are expected to meet or exceed the target rate criteria at the time of project completion.

Other considerations:

Experience has shown that fairly structured utility rates that implement gradual rate increases annually have been the most acceptable to the ratepayers and most effective in keeping revenue at pace with costs. VDH recommends waterworks implement a revenue growth model that factors in increases (e.g. operational costs, inflation, etc.), other costs (e.g. asset/equipment replacements, technology upgrades, capital improvements, etc.), and takes into account other potential revenue reductions (e.g. future regulations, reductions from water conservation, etc.). VDH recommends waterworks establish and fund a capital reserve fund that adequately supports capital improvements and asset replacements. VDH reserves the right to require an implementation schedule acceptable to VDH for those waterworks that may need additional time for implementation of significant rate increases.

Subject: RE: Town of Bluefield, VA Funding Offer
From: "Pellei, Steven (VDH)" <Steve.Pellei@vdh.virginia.gov>
Date: 6/1/2017 9:38 AM
To: 'Rick Chitwood' <rchitwood@t-l.com>
CC: Mike Watson <watson@bluefieldva.org>, "Kitchen, Dale (VDH)" <Dale.Kitchen@vdh.virginia.gov>, "Whitner, Ray (VDH)" <Ray.Whitner@vdh.virginia.gov>, "Helbert, April (VDH)" <April.Helbert@vdh.virginia.gov>

Hi Rick,

By this email I approved an extension until June 15th.

I hope that helps.

Thanks,

Steve

From: Rick Chitwood [mailto:rchitwood@t-l.com]
Sent: Thursday, June 01, 2017 8:48 AM
To: Pellei, Steven (VDH)
Cc: Mike Watson; Kitchen, Dale (VDH); Whitner, Ray (VDH); Helbert, April (VDH)
Subject: Town of Bluefield, VA Funding Offer

Good morning Steve,

Hope you're doing well. I wanted to follow-up with you on behalf of the Town of Bluefield, VA's funding offer for their proposed project. Mr. Watson and myself discussed this this morning and his next Council meeting is scheduled for June 13th that evening. He has requested that I plan to attend that meeting to share with full Council this proposal and to get their input and directive. Needless to say, this is a day after your deadline mentioned in your letter. Would it be possible to give the Town a few more days to allow for this meeting and directive as to how to proceed or withdrawal?

Thank you and your staff again for working with our municipalities in southwest Virginia for these projects

Thank you in advance for your consideration.

Rick

--

Rick Chitwood

Senior Project Manager/Associate

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TOWN OF BLUEFIELD
WATER TREATMENT PLANT UPGRADE / WATER LINE REPLACEMENT
T&L PROJECT #713813-00

PROPOSED PROJECT SCHEDULE

UPDATED JUNE 13, 2017

<u>TASKS</u>	<u>TARGET DATES</u>
Town/Engineer attend Preliminary Engineering Conference (PEC) with VDH/ODW and VDH/FCAP	Completed
Town authorizes Engineer to submit VDH/FCAP funding application	Completed
Town/Engineer submits funding application to VDH/FCAP	Completed
VDH/FCAP makes initial offer to Town	Completed
Town authorizes to begin Request for Proposal (RFP) for engineering services (MBE/WBE Solicitation - VDH/FCAP guidelines)	06-13-17
Town accepts VDH/FCAP offer	06-16-17
Town receives engineering proposals	07-19-17
Town committee interviews engineering firms	07-25-17
Town committee recommends top ranked engineering firm to Council and authorizes to begin contract negotiations	08-03-17
Town Council awards contract to top ranked engineering firm	08-08-17
Town and top ranked engineering firm executes A/E Agreement, issues notice to proceed and provides copy of A/E Agreement to VDH/FCAP	08-22-17
Town obtains Bond Counsel	08-25-17
Town submits engineering procurement information to VDH/FCAP for approval	08-25-17
Engineer begins Environmental Review/Preliminary Engineering Report (PER) Amendment	09-01-17

<u>TASKS</u>	<u>TARGET DATES</u>
Engineer completes Environmental Review/PER Amendment and submits to VDH/ODW and VDH/FCAP	10-17-17
Engineer responds to VDH/FCAP comments on Environmental Review	11-17-17
Town advertises for Environmental Review Public Hearing	11-19-17
VDH/ODW and VDH/FCAP approves PER Amendment	12-16-17
Town conducts Environmental Review Public Hearing	01-08-18
Town authorizes Engineer to begin Final Design	01-08-18
Town forwards minutes of Environmental Review Public Hearing to VDH/FCAP	01-12-18
Town/Engineer responds to VDH/FCAP comments	02-02-18
VDH/FCAP issues FONSI	02-28-18
Town advertises FONSI (30 days)	03-04-18
Engineer completes Final Design and submits to VDH/ODW & VDH/FCAP	07-27-18
VDH/ODW and VDH/FCAP approval of Plans & Specifications	09-25-18
Town obtains all easements and right-of-way	09-28-18
Town authorizes to begin advertising for construction bids	10-01-18
Begin advertising for construction bids	10-07-18
Pre-bid Showing (10:00 a.m.)	10-23-18
Open Bids (2:00 p.m.)	11-07-18
Engineer prepares bid evaluation and bid tabulation and submits to Town	11-16-18
Town/Engineer submits bid evaluation, bid tabulation, MBE/WBE Certification of Bid, etc. to VDH/FCAP	11-16-18
Town awards contract to lowest responsive/responsible bidder	12-03-18
Town conducts loan closing	01-05-19
Pre-construction Conference and issue Notice to Proceed	01-07-19
Achieve Substantial Completion (11 months)	12-07-19
Achieve Final Completion	01-07-20

TOWN OF BLUEFIELD, VA

Estimated Annual Debt Payment

Option #1

- \$256,000 Grant & \$1,713,674 Loan @ 2.50% for 30 Years = \$81,875
-

Option #2

- \$256,000 Grant & \$1,713,674 @ 2.25% for 30 Years = \$79,171
-

Option #3

- \$1,969,674 100% Loan @ 2.50% for 30 Years = \$94,106
-

Option #4

- \$1,969,674 100% Loan @ 2.50% for 20 Years = \$126,349
-

30% Savings/Force Account - Option #1

- \$256,000 Grant & \$1,199,572 @ 2.50% for 30 Years = \$57,313
- \$256,000 Grant & \$1,199,572 @ 2.25% for 30 Years = \$55,419

TOWN OF BLUEFIELD, VA

Average monthly residential water usage - 3,425 gpm

Median Household Income (MHI) - \$42,717

1% of MHI - \$35.60/Month

Existing average monthly residential water bill - \$29.22

Necessary increase prior to project completion = \$6.38
which is targeted for January 2020

Necessary increase for interest rate = \$3.83
Reduction from 2.50% - 2.25%

From July 2017 – July 2024 = 7 years

\$39.43

<\$29.22> Approximately 35% Overall Rate Increase

\$10.21

{See Proposed Breakdown for Rate Implementation}

TOWN OF BLUEFIELD, VA

PROPOSED BREAKDOWN FOR RATE IMPLEMENTATION				
% Increase	Target Dates	Existing Average Residential Monthly Cost	Proposed Average Residential Monthly Cost	Monthly Increase Budget Amount
7%	July 2017	\$29.22	\$31.52	\$2.30
3%	January 2018	\$31.52	\$32.57	\$1.05
3%	July 2018	\$32.57	\$33.62	\$1.05
3%	January 2019	\$33.62	\$34.67	\$1.05
3%	July 2019	\$34.67	\$35.72	\$1.05
<i>*Project completion January 2020</i>				
2%	July 2020	\$35.72	\$36.43	\$0.71
2%	July 2021	\$36.43	\$37.16	\$0.73
2%	July 2022	\$37.16	\$37.90	\$0.74
2%	July 2023	\$37.90	\$38.66	\$0.76
2%	July 2024	\$38.66	\$39.43	\$0.77