

**Town of Bluefield  
Town Council  
Work Session  
October 23, 2018**

The Bluefield, Virginia Town Council held a Work Session on Tuesday, October 23, 2018 at 7:00 p.m. in the Council Chambers of the Town Hall located at 112 Huffard Drive, Bluefield, Virginia.

**TOWN COUNCIL PRESENT**

Don Harris, Mayor  
Anglis Trigg, Jr., Councilmember  
Chuck Presley, Councilmember  
Jimmy Jones, Councilmember  
Lee Riffe, Vice-Mayor  
Ron Holt, Councilmember

**ALSO PRESENT**

Mike Watson, Town Manager  
Matt Freedman, Town Attorney  
Shane Gunter, Chief of Police  
Lesley Catron, Town Clerk  
Billie Roberts, Comm. Dev. Coordinator  
11 Members of Public

**CALL TO ORDER**

Mayor Harris opened the Work Session at 7:00 p.m.

Mr. Watson stated the Town had received some offers from Virginia Department of Health (VDH) which he had passed out a copy to council. He stated they were given four options but Option 1 seemed to be the best. He stated that it was a \$1,676,974 project which would be used for lines, meters, etc. He stated that it would be done in house and then we would ask for reimbursement. He stated that it would be a good project and the PSA would help with manpower and/or equipment. He went over the different options attached at the end of the minutes. He stated that we currently had one customer in Town with high usage but it was not a lot. He stated in five years the increase for an average customer would be \$3.72 and we would save \$75k over 30 years. He recommended choosing Option #1 and removing the other options from the table.

Mr. Holt stated that they had talked about it quite a bit last year and Option #1 was the best.

Mayor Harris asked if there were any questions.

Mr. Presley agreed that they had talked about it last year and Option #1 was the best.

Mr. Watson stated that he could bring it up under the Manager's Report for a vote and would go through the process of raising rates.

Mr. Riffe asked when it would start.

Mr. Watson stated that he would have to check on it and see. He stated that there was already a loan payment budgeted that was being paid off and this one would just roll over into that. He stated that staff was working through the Business Plan and several years ago new software was purchased which allowed staff to run reports. He stated that they were trying to track down water leaks because we were losing water. He stated that we would be asking for funding from VDH through the Cumberland Plateau. He stated that we had a huge discrepancy from what the master meter coming out of the Water Plant was reading vs. sales volume in the last 20-30 years. He stated that it showed we sold \$11 million but the plant showed we were producing \$30 million so something was not right. He stated that the old software combined the water and sewer numbers but the new software separated the numbers and Bluefield Sanitary Board had been billing for \$11 million for years. He stated with this project they were looking at replacing 40 meters.

Mr. Presley asked if all of the meters could be read in one day.

Mr. Watson stated yes. He stated that they could bill in 4-5 days after the monthly reading and they did the same reading date every month.

### **ADJOURN**

Mayor Harris adjourned the Work Session at 7:20 p.m.

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Don Harris, Mayor

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Lesley Catron, Town Clerk



# COMMONWEALTH of VIRGINIA

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

DEPARTMENT OF HEALTH  
**OFFICE OF DRINKING WATER**

Madison Building  
109 Governor Street, 6<sup>th</sup> 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%<sup>1</sup> 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.

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<sup>1</sup> 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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**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%<sup>2</sup> 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,

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<sup>2</sup> 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

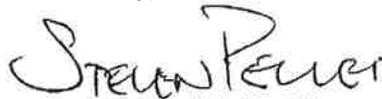
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- (4) Owner complying with the DWSRF Program requirements, and owner's progress to a timely closing according to a pre-negotiated schedule, or delays/changes in project readiness to proceed,
- (5) Owner's history of activities with the ODW/DWSRF Program (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](mailto: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