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**Town Manager's Report to Mayor and Town Council
June 14, 2018**

Adoption of Proposed 2018-19 Budget and Recommendation From Finance Committee

Following the Public Hearing on the \$4,525,772 2018-19 Budget, we received additional health premium rates on part time and public officials insurance. We had budgeted the rates to go up about 12%.

\$284,864 had been budgeted for the coming fiscal year at the Town's 80% rate of pickup rate, with the employee picking up the other 20%. The revised new rates came in mid-May and the Town's actual 80% pickup came to \$295,075. This increase on top of the previous increase would have made most or all employees lose money the coming fiscal year, in spite of a 1.25% cost of living increase and an opportunity for a yearly 2.5% merit increase. This is especially true of employees with family coverage. The Finance Committee met twice on this issue and the final minutes of the May 30 meeting of the Finance Committee is attached.

To rectify this situation the Finance Committee is proposing that the Town pick up 83% of the premium the coming fiscal year, and then revert back to 80% in the next or following next fiscal year. As you can see on the attached sheet in the committee report entitled "Employee Deduction Comparison" the impact on the employee at rates of 20%, 17%, 16% and 15% pickups is shown, with again the committee recommending 17%. On the following sheet you see the impact on the Town with the corresponding rates of 80%, 83%, 84% and 85%, with again the committee recommending an 83% premium pickup.

The 83% town pickup would then push the budget for health insurance to \$306,141, which would be \$21,277 over the currently budgeted \$284,864. The Finance Committee will recommend that variance can be taken out of the currently budgeted CDBG expenses of \$75,000 (Account # 10-700-15) taking that number to \$53,723. We expect that number to be well within budget following adoption of the bids for the seven year loan on the CDBG financing discussed below.

Also attached are several resolutions revisiting health coverages passed in previously. Following Council action on the committee's recommendations the Council will be asked to vote on the 2018-19 budget adoption.

Downtown Revitalization Project

The Pre Construction Conferences on the Streetscape Project and the Demolition Project were held beginning 10:00 on June 6. About 25 people attended consisting of representatives of the Town, Mt.

Rogers PDC, the Department of Housing and Community Development, Hurt and Proffitt, American Electric Power and the contractors.

Concerning the Demolition Project, D.H. Griffin stated they will be removing the lead and asbestos from the building on June 11 and be done by the week of June 25. They anticipate having the building down and removed well within the 90 day requirement to substantial completion. The start date of the signed and executed Notice to Proceed is June 11.

Boring Contractor of Abingdon has the low bid for the Street scape portion of Downtown Project. While no formal start date was established, and no Notice to Proceed was signed, we anticipate that date will be set by the week of June 11. That contract has 180 days time to substantial completion for that project.

The Financing Bids on the Downtown Revitalization were received on June 7 at 2:00. We you can see in the attachment we advertised the financing bid on May 24 and May 31, and sent the solicitation directly to all three Chilhowie banks. The bid is for an amount of \$197,430 for a seven year term for project activities on the \$1,500,000 Downtown Revitalization Project total. Two bids were received from the Bank of Chilhowie and New People's Bank. The low bid was at 3.99% from the Bank of Chilhowie. The yearly amount to pay off for the seven year loan, without early payoff, will be approximately \$32,376.99.

As far as the administration of the pay requests, Progress Meetings and Revitalization Committee meetings, I have attached a copy of my May 30 email that confirms the procedures. As you can see the Progress Meetings will be moved to the last Tuesdays of the month at 3:00, with the cutoff for the monthly pay requests the Friday previous to that. The Revitalization Committee will meet on the same last Tuesday at 6:00 in the evening. The pay requests will then be processed and submitted to me by the Monday previous to Council's meeting on the second Thursday. Council will then be presented those pay request for their consideration.

East Lee Highway Sidewalk Project

The East Lee Highway Project, funded 80% by the Virginia Department of Transportation (VDOT), seems finally ready to bid. As you can see by my May 31 letter to Tabitha Crowder VDOT, prepared by Tim Mullins of Thompson and Litton (T&L), the Town requested final authorization to bid.

This letter seemed to have triggered another email on June 4 from a Federal compliance officer with VDOT which made a couple of comments regarding the contract documents (one of them surprisingly was the elimination of retainage except for "cause"). Tim said those changes could be made quickly and resubmitted. Unless I am badly mistaken now, I expect to have everything approved in the near future and a bid schedule set up for July.

As I understand it from T&L the project was further held up this Spring for bid when the U.S. Fish and Wildlife asked as required, or was offered the opportunity, to comment on the project as part of the environmental review. Even though a 15 day comment period passed in early Spring, the project could not be finally authorized for bid until they responded.

If my emails, calls and letters could have made a difference this project the project would have been started the Fall of 2017 and completed now. But VDOT project are by nature slow moving because of all their requirements good or bad set down by law. As stated above we are at the cusp of starting this project. 120 days is the Substantial Completion time for the project. If bid out in July, construction should start in August and be substantially completed by November.

Mill Creek Regional Water Treatment Plant (WTP) Project update and Substantial Completion Date

Several important items will be discussed on the WTP Project. We will have invited Robbie Cornett, Executive Director of the Washington County Service Authority (WCSA) to be with us, along with Ken Taylor, member of the Board and member of the joint Steering Committee with the Town.

The Council will be asked to go into Closed Session to discuss with the WCSA Staff and Attorney Paul Cassell to discuss contract legal requirements, namely that the Substantial Completion date of the contract which expired on June 1, 2018. The contract has provisions for liquidated damages. It is my understanding from the monthly Progress Meeting we had on June 6 that the Substantial Completion date is approximately 60 days away. We have also asked Bobby Lane, principal of the Lane Group, and Jeff Spickard to attend also to give an update and their overview of the project.

Either before or after the Closed Session the Council will consider Partial Pay Request 15 in the amount of \$64,200.26. It should be noted that all this worked ended on May 27, before the Substantial Completion date on June 1.

Water Line Break at the Town Hall

As I had written you on June 4 we experienced a water line break of the two inch pipe coming into the Town Hall in the utility room in the Council Chambers. As I indicated Lieutenant Aaron Smith of the Police Department discovered the problem around 8:30 on Sunday morning, June 3. He found the phones and internet were out that morning and went to reboot the system in the utility closet. Upon opening the door he discovered several inches of water in the Council Room. He then immediately called the Town Staff to get the water turned off.

The Town Staff responded within about 15 minutes and the water was turned off. Mayor Gary Heninger called a local restoration company and they were on the scene by mid-morning June 4. If not for the early discovery, rapid response by the Town staff and restoration contractor the damage would have been much worse. Damage included all carpet in the Council room, a water telemetry computer controlling tank levels, possibly the main frame computer in the Town Hall, the mobile public address system and other items.

The Town crew had water service back in the Town Hall by the afternoon of June 4. They also put in a cut off valve more easily accessible than the one used previously to shut the water off.

We contacted Virginia Municipal League Insurance Programs (VMLIP) first thing on Monday June 4 and sent them a report on what happened and various pictures. We met with their adjuster, Frontline of Lynchburg, on June 7 coordinating that meeting with our restoration contractor. They will finalize their report and send it to VMLIP around the 13th of June for their consideration. We will expect VMILP's loss estimate soon thereafter. Hopefully the Council room can be utilized again by mid-July.

Respectfully Submitted,

John E. B. Clark, Jr.
Town Manager