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Town Manger's Report to Mayor and Town Council January 9, 2019

Meeting on Virginia Municipal League (VML) / Virginia Association of Counties (VACO) on Electric Rates

On December 2 I attended a meeting of the VML / VACO Steering Committee in Rocky Mount. I sat in on the meeting because I had not been to one of the meetings before and wanted to get better familiarized about the purpose and role of the committee.

At the meeting were several administrators from western Virginia, the Executive Directors of both VML and VACO and attorneys from Hunton and Williams from Richmond whom represent the steering committee. The Town has been paying an assessment around \$905 per year. I assume that assessment localities pay are their prorated share of the bill that Hunton and Williams charges the committee.

The steering committee deals with American Electric Power / Appalachian Power Company (APCO) for localities basically west of Richmond, as I understand it. Another group deals with Dominion Power in eastern and northern Virginia. The steering committee deals with all electric rates, not just street light rates, which I had assumed before the meeting. Each locality is charged on a kilowatts used basis, not by population. The APCO Steering Committee was organized in 1978.

It was said the group that negotiates Dominion is more organized than the APCO Staring Committee, and this group wants to take steps to get more organized. Formal By-Laws will be formulated in the future and then be adopted by localities. It was stated in the meeting that the collection rate had fallen to around 67% from localities. It was pointed out that many managers and elected officials do not know the purpose of the steering committee, and its importance, especially considering limited education had been sent out about the steering committee. The contract the steering committee negotiates is for a term of four years. The current contract ends June 30, 2020. I have attached a copy of the steering committee agenda and my notes from the meeting in your agenda.

Mill Creek Regional Water Treatment Plant Project (WTP) Contract Situation

On December 19 we had a meeting on the WTP Project that the Contractor, Frizzell Inc. had requested. The meeting included 13 people including people from Frizzell, T and B (a sub or affiliated contractor with Frizzell), personnel from the corporate office in Massachusetts representing Memcor / Evoqua the membrane manufacturer, The Lane Group and the Washington County Service Authority (WCSA) and the Town. The meeting was predicated by the Town's letter of November 18 asserting a set off of Pay Request 22 and liquated damages (LDs) totaling \$270,860, and the 90 Day Owners Acceptance Test.

As you may remember for the project to pass the 90 day Owner's Acceptance Test (OAT), the WTP cannot have any failures during a 90 test period. The plant has not achieved that milestone as of yet, and the testing has been going on about one year. The last period is slated to begin on December 22. At the Council meeting of December Council accepted the engineer and staff's recommendation to extend the last beginning time 45 days from December 22 to February 5 if the bonding companies agreed and if Rural Development agreed. That will make the last 90 day starting on February 5 with it ending on May 5. If the plant fails anytime during that period, the bond can be called in to remedy the situation.

As you can see in your agenda packet, Frizzell's bonding company, Shafer Insurance, wrote in their letter of December 17 that they were agreeable to the extension. Evoqua, the membrane manufacturer, wrote on December 20 that their bond would last until project closure.

At the aforementioned meeting on December 22, Evoqua and Frizzell assured us that the project would be completed as designed and to the satisfaction of the Town and the WCSA, which we appreciated. We also have bonded assurances, which all are well aware. Frizzell mentioned that several outages that the plant experienced in the past were short term and should not be counted against the contractor in past OAT 90 day periods. They also stated, as I understand it, that the requirement of getting to 3.1million gallons per day (MGD) was a milestone that they could reach, but may need more time. I believe they said they had been gearing the plant to a 2.8 MGD level. I mentioned that both items were part of the original specification and all agreed.

After the meeting a Frizzell representative asked WCSA Director Executive Robbie Cornett and I the Town's position on liquated damages. He stated the Town and County had suffered much less real damages. We stated that the Town's letter of November 18 still stood of damages of \$270,860, and that even if the Town did not suffer that much in damages (which we feel we do) the contract provisions stated \$560 per day for LDs for not finishing on time. Frizzell's letter of December 12, included in your agenda without the 30 pages of attachments, countered the Town's assessment of LDs. As best I can tell one of the attachments states an offer of around \$12,000 in LDs.

The staffs of the Town and WCSA, including attorneys, will be discussing Frizzell's letter of December 12 in the near future, and perhaps have a recommendation for the respective boards.

Downtown Facades Project

The Downtown Management Teas will meeting on January 7 to discuss the facades project and approved the bid for the work to be done. We had hoped to get the work started in the Fall of 2019 but the contractor had to revise his bids to match the Department of Housing and Community Development (DHCD) requirements for no more than \$15,000 of their money, which property owners have to match. This match can be in conjunction with the actual construction, proof of work the past two years or a combination of each.

Earlier in December DHCD made a compliance visit on the facades project. The DHCD representative on the project for over a year left to take another job and another DHCD rep was assigned to the project. Mt. Rogers PDC Project Manager Angela Wolfe and I briefed the new rep on our many efforts in finally finding a contractor to do the facades project, as our contract with DHCD requires, and documented those activities.

Final Drawdown on Rural Development Grant on Farmer's Market

In doing the final accounting on the approximately \$275,000 grant from Rural Development (RD) on the Farmers Market project, we found that there was \$1,131 remaining in the grant. We recently received a \$2,081.25 invoice from Hurt and Proffitt for the design of the sewer pump station to serve the two bathroom facility. After contacting RD about putting that money against that invoice, RD agreed to allow us to use that money for that effort, even though that was part of the Town's responsibility.

RD has been wonderful to work with on this project. We look forward to recognizing them for all their help at the time of the dedication this Spring when the event occurs.

Respectfully Submitted and Happy New Year,

John E. B. Clark, Jr.
Town Manager