



**Mayor:** Gary L. Heninger  
**Council:** Donna S. Blevins  
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Brent Foster  
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## **TOWN OF CHILHOWIE**

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**Town Manager:** John E. B. Clark, Jr.  
**Clerk/Treasurer:** Marlene L. Henderson  
**Police Chief:** Andrew K. Moss  
**Director-Public Works:** Jay Keen  
**Fire Chief:** C. David Haynes  
**Building Official:** Randy Sturgill  
**Director-Recreation/Special Events:** Jeff Smarr  
**Legal:** Cassell & Crewe. P.C.

### **Town Manager's Report to Mayor and Town Council February 10, 2022**

#### Upcoming Meeting of the Town of Chilhowie and Washington County Service Authority (WCSA) Steering Committee Relating to Mill Creek Regional Water Treatment Plant (WTP)

As you may recall, the 2021 yearly meeting of the Town / WCSA Steering Committee was continued from the Fall of last year. The Town's elected official on the committee is Brent Foster. The staff of the Town and Attorney Paul Cassell, along with the WCSA staff and their attorney Thomas Dene have been working on revisions of the agreement since then. The continued meeting will be on February 15 at 9:00.

Without going into too much detail until the committee meets and then reports to Council in March, the changes from previous year agreements reflects new data that corresponds into new allocations and revised improvement/ replacement costs.

The old allocation at 2.5 million gallons per day (MGD) was at 56% Town and 44% WCSA. After the plant was upgraded to 3.1 MGD several years ago, the usage has been 45% Town and 55% WCSA. Interesting, even with the new allocation the Town's MGD figure remains around 1.4MGD compared to the old agreement. WCSA's increased by about .600 MGD to 1.705 MGD,

Most importantly, the new proposed agreement goes from 56% Town to 44% WCSA on improvement costs and on the \$1,700,00 loan to 45% Town, 55% WCSA. This mirrors the allocation percentage at 45% Town and 55% WCSA and historic monthly usage. The Operation and Maintenance costs have always been passed on monthly usage.

#### Mill Creek Regional Water Treatment Plant Chlorine Contact Replacement Project Funding Options

As you recall I presented the bid tabulations to council in December on replacing the Chlorine contact tanks at the WTP. The low bid was \$1,282,580 from Mid Atlantic Storage Systems. which was a couple hundred thousand dollars above the estimate a year ago. We expected that the bid would be higher because the estimate was not made within the current bidding environment.

I stated that the WCSA was going to be negotiating with the contractor on lowering the price but as you can see by WCSA Director Robbie Cornett's email to me of January 26, they were unsuccessful. The WCSA Board approved the bid on January 24.

As you can see by the document provided and highlighted entitled "Mill Creek Chlorine Contact Replacement Project". The total project cost is estimated at \$1,346,709 with a 5% contingency add on. Taking off the remaining \$653,510 grant funds and a \$90,000 grant from Mt. Rogers PDC, that leaves a remaining balance of \$603,100. The Town's portion of that amount at 45% is \$271,439.55.

This cost could be covered either by borrowing the money or taking the money from funding from the American Rescue Plan Act (ARPA). If the Town borrowed the money over a four year period, for example, that would be about \$70,460 per year at 3%. That would entail raising water rates about 4.4%. I estimate the interest costs would be around \$16,000 over four years.

Taking a portion from ARPA funding would reduce this burden, of course. Taking all the money from ARPA would eliminate any obligation but deplete the \$1,765,854 amount. Council could decide what option to use at its Continued Meeting on February 8, or refer it to the Finance Committee for a recommendation at the March meeting. I don't foresee a Notice to Proceed on the project until at least March, with payments to the contract beginning in April.

#### Public Hearing on Use on Proposed of Funds from American Rescue Plan Act (ARPA)

You have in your agenda packet a Public Hearing Notice / Information Notice that was advertised in the Smyth County News. It was advertised in the Smyth County News on January 26 and February 2. The meeting on February 8 will be a Continued Meeting of Council.

After we take public comment on the usage of the ARPA money, I envision giving each department up to five minutes to make recommendations. Some of the monies have already been spoken for and / or approved by Council. These included up to \$88,820 for the Old High School roof, around \$70,000 for the Staff Retention / Essential Worker Stipend, some or all of around \$35,000 for Streetscape Project and some or all of the above mentioned Chlorine Contact Tank Project at \$271,439.55. If all of those funds are used for these purposes \$465,259.55 will be committed, out of the \$1,765,854 allotment.

I will have a few recommendations. One will be not to put any money ARPA against the \$1,000,000 Sewer System Infiltration an Inflow Project because at 0% for 30 years will only be \$33,333 a year. I will ask that at least \$100,000 go against a sewer vector truck that is essential for the system. Additionally, since we solicited and received through Davenport and Company a 1.99% interest rate for 20 years on the \$2,135,000 loan for the two fire trucks, that will entail \$136,487 beginning in fiscal year 2023 (and \$41,070 next fiscal year). Since those terms are very attractive we could perhaps forgo any ARPA money against that principal.

Council will not have to decide on spending all the money at its February 8 Continued meeting. As stated previously I believe the deadline for spending the money is December 31, 2026. However, I recommend some decisions be made as soon as possible on potential use of funds for some items, like the Sewer Vector Truck that takes, I am told by Works Director Jay Keen, at least a year to receive after ordering.

Opening on Board of Zoning Appeals

As we discussed at the last Council meeting, there is a vacancy on the Board of Zoning Appeals following the resignation of Ms. Cathy Smith. The unexpired term will end on March 16, 2026. One person has come forward and asked for consideration. He has extensive experience in the development and building industry. Council may also have names to consider. After Council picks a person Town Attorney will have to petition the Circuit Court for that person to be appointed.

Respectfully Submitted,

John E. B. Clark, Jr.  
Town Manager