

Minutes of the budget workshop held on May 18th at 7:00 p.m. in the Town Hall

Council: Jeff Comer, Eugene Call, Bryan Morris, Steve Surber, and Gary Call
Monica Johnson was not present

Mayor: C. Todd Young

Staff: Brian Martin, Town Manager
Paul Cassell, Town Attorney
Steve Johnson, Clerk/Treasurer

The purpose of this meeting was to have Robert Hilt and Craig Barbrow, Jr. from Rural Development talk about the upcoming \$6.291 million dollar project that town has agreed to do over the next several years. This amount represents \$3,264,000 in loan and \$3,027,000 in grant. RD requires a Letter-of-Conditions whose steps have to be met and interim financing that has to be put in place.

The following checklist represents the items needed to meet the Letter-of-Conditions:

Borrower (the town):

- Certificate of Insurance showing property/liability/workers comp/auto/bond coverage (before closing)
- Invoices to be paid or reimbursed immediately after closing (need before closing)
- Provide Accountant's Certification regarding accounts, audit agreement, and a certification that a separate system of accounting has been established for water and sewer
- Copy of either actual rate resolution or draft rate resolution for the project
- Certification that a Vulnerability Assessment and Emergency Response Plan have been developed for the water and sewer system.
- Address RD comments related to Utility Purchase Agreements with Washington County Service Authority for water and Smyth County for both water and sewer
- Copy of Easement Form, if RD form 442-20 is not being used
- Right of Way Certificate on Form 442-21
- Management Agreement with EMS will expire on March 30, 2021 - RD needs to review a draft of the renewal prior to its execution, if the Town plans to renew the contract

Attorney:

- Need recorded copies of all deeds of dedication and conveyance prior to or at loan closing
- Opinion of Counsel Relative to Rights of Way (please complete information on Form 442-22) can have some exceptions during the Preliminary phase

- Preliminary Title Opinion (Complete on Form 1927-9) – on all sites acquired by fee simple or any sites that have structures that will be improved with project funds (must provide a Schedule A that serves as a legal description of each site)
- Legal Service Agreement
- Provide copy of Easement Form for RD Review, if other than RD Form 442-20

Bond Counsel:

- Preliminary bond documents/financial information for interim financing (if necessary) and permanent RD financing
- Begin parity consent process if necessary

Engineer:

- Right of Way Map identifying public and private easements
- Plans, Specifications, and Contract Documents
- Narrative Opinion Regarding Permits
- Provide verification of VDH and DEQ approval of Plans, Specs, and Contract Documents

The checklist mentions items on the utility contracts that require some attention. Mr. Hilt provided these comments:

1. Sewer Treatment Agreement between Town and Smyth County – (a) The term of agreement must be extended for the life of the Town’s new loan; and (b) we should inquire as to whether the percentage of allocated capacity (60% Town and 40% County) is adequate and accurate.
2. Water Purchase Agreement between Town and Washington County – This agreement is dated May 20, 2019. The agreement is between the Town and Washington County vs. Washington County Service Authority (WCSA). It is also noted that the agreement was not even signed by Washington County. This must be corrected. An agreement must be entered into with the WCSA, and it must be signed by all parties. In addition, the following is noted: (a) The agreement must be for at least the term of the loan (40 years) or have adequate provisions for renewal; (b) the agreement simply states an “adequate supply” of water will be provided and does not discuss the amount (gallons) of water expected to be provided; and (c) the agreement must be pledged to RD as additional security for the loan.
3. Water Purchase Agreement between Town and Smyth County – This agreement is dated May 20, 2019. The same comments as noted in item #2 (a, b, and c) apply to this agreement as well.

Regarding interim financing, smaller localities usually use a local bank, and the bank will require a commitment letter after the Letter-of-Conditions has been met. If the town cannot pay the engineering fees and other expenses up front, then the town will need to get a so-called bridge loan to go through the early process. This bridge loan will be in the range of \$600,000 - \$700,000 which represents engineering fees, design fees, permit fees, and legal fees. This bridge loan would be part of the loan amount of \$3,264,000 for the entire project.

Councilman Morris asked if this project could be affected by any new infrastructure plan implemented by Congress in the next year or two. For example, if the town were to receive millions of dollars after the implementation of any new plan to fix its water and sewer system, and the town is in the middle of this project, can the town opt out? Mr. Hilt said the town was not obligated until it signs a bond.

With the Council's approval, The Lane Group will start the project's sewer design. To meet the project's schedule The Lane Group had in their PER, it needs to start now since the project could be ready to bid in January. At the June Council meeting, the Council will authorize the preparation of the bid documents by The Lane Group.