



**Special Meeting  
June 28, 2022**

Mr. Andrew Parker, Government Relations Director, AdvanSix  
Mr. Dustin Lanier, Plant Manager, WestRock  
Mr. Mike Mueller, Engineering Manager, WestRock  
Ms. Martha Desoto, Senior Financial Manager, WestRock

There were other speakers; Councilor Denton asked for those individuals to introduce themselves:

Ms. Leigh Beachford, in support of Mr. Johnson  
Ms. Lisa Patton, Engineer, Ashland

Mr. Girvin began the presentation and discussion of the project (lab renovation and the new admin building) which was introduced on May 12, 2021, at the AdvanSix Capital Plan for the physical year 2021. At the time, Mr. Girvin made a motion on the floor to spend time to review and understand the justifications of that project, determine what the options were before moving forward with a full-fledged architectural design of the proposed solution. The motion was voted down 4-3. The City representatives, Virginia American Water, and the three industrial partners voted for the motion that he made.

Soon thereafter, they moved forward to the approval of the budget, and it was voted down by the three City representatives, Virginia American Water, and the three industry representatives.

The proposed budget was presented to Council, and Council voted the budget in for last year.

After that meeting, it was agreed upon that there was probably some merit to the proposed process, but the concept was new to them. They decided to develop a capital subcommittee to sort out the projects before they come from the commission to understand the benefits of and justification for it, as well as reviewing the different options, and creating the capital subcommittee was the best option going forward.

The capital subcommittee consisted of two citizen representatives, two industry representatives, a director from the wastewater plant, the City Manager or the Assistant City Manager, and a representative from the Wastewater Commission.

For sake of clarity, the names of the members of the capital subcommittee were given.

**CITY REPRESENTATIVES:**

Mr. Johnny Partin, Commission Chair  
Mr. Jerry Byerly, Director, Wastewater Plant  
Mr. John Altman, City Manager (or the Assistant City Manager position)

**CITIZEN REPRESENTATIVES:**

Mr. Mark Haley  
Mr. Dave Harless

**INDUSTRY REPRESENTATIVES:**

Mr. Mike Mueller, Engineering Manager, WestRock  
Mr. Rob Allen, Ashland

Mr. Mueller was called to the podium to discuss the process during the subcommittee meeting regarding the voting on this project. He met with Johnny Partin, Jerry Byerly, Dickie Thomas, Harold Walker, Shayna Johnson (Administrative Assistant), John Altman, Mark Haley, Rob Allen. He explained the

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purpose of the subcommittee, which is to assist with developing and reviewing the capital improvement plan in the budget. Given a list of considered projects, and wanted more information, so he scheduled a meeting with Harold Walker on March 28 to discuss the list of projects.

Mr. Mueller began with the discussion of the ash bucket elevator, and in FY 2019 and 2020, the HWR adopted a budget for replacement of the ash bucket elevator for \$500,000. When the bids came in, they were about \$800,000, and Mr. Walker discussed with Mr. Mueller about doing a re-bid to get some cost savings, and also in the process of requesting a supplement of about \$400,000 to support that project. Another project that was discussed was the incinerator furnace upgrade to address sludge characteristics (furnace capacity is limited).

The capital plan shows that about \$650,000 was approved in the FY 2021-22 budget. Also discussed was the incinerator feed pumps; a new pump was purchased, and Hassan Energy is completing the paperwork to proceed to bid. \$1,000,000 was approved in FY 2021 budget, and the budget is also showing an additional \$2.75 million will be requested for the FY 23-24 budget coming next year.

They had a discussion about the centrifuge and how much of an investment that was. \$2.8 million was added for a centrifuge; that was approved over a period of two years, \$1.6 million was approved in FY 2021 and \$1.2 million in FY 2021-22. An older centrifuge is also in the capital plan, showing about \$200,000 a year for regular maintenance.

There was a discussion about the plant switch gear replacement. \$2.3 million was approved in FY 2021-22 to replace old electrical equipment.

Mr. Mueller presented to and discussed with Council photos taken during a tour of the facilities.

On March 29, 2022, Mr. Robert Allen sent out an email to all of the team members asking if the spreadsheet could be updated to show the actual capital spend by year, to help the subcommittee to look at and compare the budget to the actual spending. Mr. Allen asked for a cost allocation for each capital project, and what percentage is each party paying. A memo regarding the status of the capital projects and the five-year capital improvement plan spreadsheet was provided to the subcommittee, but the information missing was the actual capital spend by fiscal year, categorized by project. This information will identify variances and additional resourced that may be needed in developing and executing projects, and it is very integral in the process of front-end planning.

At a second meeting on March 30, there was the discussion about the laboratory expansion and the new administration building. What was shared with the subcommittee was the amount of \$9.25 million, where several dollars were budget approved in 2021-22, and another \$8.5 million being currently requested. He read through the McGill report (in the agenda packet); wanted to know what the business reason was for this cost. The report stated “that an additional 850 square feet of dedicated laboratory space is needed both for improved workflow and efficiency to accommodate future testing needs, including the ability to bring appropriate outsourced testing in-house.”

What the capital subcommittee suggested at the March 30<sup>th</sup> meeting was that the Water Renewal Plant consider other options that meet the laboratory testing without investing the \$9.25 million dollars.

Questions raised by the subcommittee were:

What is the cost of adding 850 square feet to the existing building?

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What is the cost associated with outsourcing future additional testing requirements?

If testing wasn't brought in-house, then how much would that cost if testing was outsourced or contracted out?

What is the cost of performing additional testing in-house?

The question to think about is: Why is a 7,500 square foot new building, plus the renovation of a 6,400 building, required to meet the needs of an additional 850 square foot laboratory space?

Another thing to look at on a project are the risks to the facility or the organization if the project is not approved. At the same time, what are the tangible benefits?

In summary, the capital subcommittee suggested that options be considered that provide adequate laboratory and office facilities for the Renewal Plant, and allow the subcommittee to work with the organization. Mr. Mueller stated that, based on the information and in his opinion, the existing project justification does not support a \$9.25 million dollar project.

Mr. Girvin returned to the podium. This topic was further addressed at the commission meeting on June 15<sup>th</sup>. They called for a motion to go through and vote on each individual project separately. This way, they voted for projects that were worthy to go forward, voted down those projects that were not. When they addressed the laboratory project, the commission had the same questions that Mr. Mueller had regarding the spending of \$8.5 million at this point in time what was the 850 square feet additional space, bringing in-house roughly 300,000 external samplings at a cost of \$100,000 (net benefit of 200,000). The topic of utilities was discussed; Mr. Girvin stated that this matter should be addressed by the City, and not so much a Commission issue. He asked Mr. Lanier if he anything to add, and Mr. Lanier declined, giving the podium to Mr. Mueller.

Mr. Mueller stated that the all-or-nothing approach to this project is not the way in which industry does business; options must be explored for something of this magnitude. They are held accountable for that spend, so they want to do it wisely. During a discussion with the Commission it was discovered that there were issues that they all agreed needed addressing, such as the leaking roof in the HVAC area; the Commission had no knowledge of that problem and will be happy to repair it, but the jump from needing to make some repairs to a building and adding some space to the cost of \$8.5 million was described as mind boggling. The thought process of creating a subcommittee was to have a more unbiased viewpoint of what the facility need to operate safely, effectively and efficiently. The projects already mentioned were already approved; millions of dollars of equipment is going directly to making sure that the plant runs reliably.

This huge sum of money is not going into the direct operation of the plant. \$200,000 savings on a \$9 million project – as an industry, they wouldn't even look at that. This year in the capital process, the Commission approved \$250,000 for an outside firm; it was agreed upon that the subcommittee did not give the deliverables they expected. This outside firm will have a true look at Hopewell Water Renewal and come up with a five-year plan. They are asking for fiscally responsible actions that are aligned with their facility agreement to run the facility economically. On this particular project, they are just asking for more time to fully vet what they really need to do.

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Mr. Lanier stated that this partnership of industry with the City is really needed to operate. Wastewater cost out of the 31 operating plants is the highest at this site here in Hopewell. This site (Tier 2) is not considered a large facility.

Mr. Girvin described how the allocation would have worked for the \$8.5 million project:

City of Hopewell, \$1 million to the table  
AdvanSix, \$800,000  
Ashland, \$2.6 million  
WestRock, \$3.7 million  
Virginia American Water, \$500,000

Councilor Gore thanked the Commission for their presentation and asked to hear from staff in regards to this project.

Councilor Randolph asked, in reference to the Commission's request for more time to look at the options, what is the estimation of that time frame and how is that going to play into working with the City with the problems that the existing building already has.

Mr. Mueller approached the podium to address her query. He suggested looking at the existing liabilities and ranking those by priority.

Mayor Bennett asked if the Commission had all the information needed to assess their options.

Mr. Lanier stated that all the information they had is in the report that was presented to Council.

Councilor Denton asked Mr. Girvin if he was for or against putting the \$8.5 million back into the budget.

Mr. Girvin replied that the commission voted against that. The commission voted to take it out, but can add projects back in throughout the year; they just have to vote on it as a commission.

Councilor Denton stated that Council have the work session at the end of July, where they and the Commission can get together and look at some options; come to a compromise. She said that if Council could put this off for a while, and she addressed the City Manager at this point, take that \$8.5 million out of the budget and give them time to come back before Council and look at options. Council can always do a resolution to add it back into the budget.

Mr. Altman stated that once the options were reviewed and decisions were made in recommendation from the commission, then that would be brought back to Council any time during the year to amend the capital budget to add the project in.

Mr. Johnson stated that because the project is currently in the City's budget, Ashland has to budget for that. Ashland is in its budget cycle at this moment for next year, and he has to determine whether to fill or cut jobs, or what options does he have to achieve their budget goals. \$2.6 million is a big piece of Ashland's budget.

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Councilor Pelham asked which of the plants was given the cost of \$3.7 million. Mr. Lanier came forward as representative WestRock and added that he hold over 40% of the operating and repair budget as well as the majority of the capital; they are close to 50% of the bill. She asked what would happen with the dollars if nothing happened, it stays into the capital to feed into the individual projects throughout the year.

Mr. Lanier stated that right now, capital spend has been between \$2.5 and \$4.5 million. Over the last three years, there has been a surplus of capital spend of \$7.5 million. Not sure about this year; since 2018 he doesn't know the status of capital projects; some were supposed to happen in 2018. He doesn't know how much has been spent up to now even to approve additional funds. Money comes back, but is split up accordingly as credits. As of today, he stated that they don't know the status of the credits, and even monies in the 2018 capital spend is not available. At this point, he could either owe money or get money back.

Mr. Altman addressed Councilor Pelham regarding her question of what happens to the dollars if the project is not included in the budget. He stated that if the budget id not adopted by the Commission and then Council is a part of the capital budget then the Commission doesn't have to budget for those dollars. When the project is removed, they have no financial liability until the project is put back in to the budget.

Councilor Pelham addressed Mr. Girvin, stating that his budget is already set – if Council includes it into the City budget, the Commission has to do an amendment to its own budget. Mr. Girvin also stated that the Commission can approve additional monies and they have to allocate whatever the percentage is given.

Councilor Gore stated, for clarity, when this was discussed a few days ago, Council specifically said that in the motion that Council will have a work session before allocating and approving the project. The request was made just to have it in there. When the budget was redone, Council did not authorize or approve the project, but to wait until they have a joint meeting in July to decide how to proceed. Just for clarification, having that as a motion does not mean that the majority who voted for that approved or disapproved for anything. What that means is there are some issues that need to be addressed, and that staff has places of importance for them. On the other hand, Council is acknowledging industry by not flat-out approving it. Clarification needs to be made in regards to the plan. Addressing the Commission's budget already being in motion, she asked if this is not an amendment to their budget, but how they are going to do next year's budget. This did not include Mr. Johnson's budget (mid-year adjustment). She asked to hear Mr. Byerly and Mr. Altman speak from a City perspective

Mr. Jerry Byerly, Director, Wastewater Plant, stated that the Commission lost a million dollars in engineering reports for projects that the Commission chose not to do. In reference to Councilor Pelham's question, stated that once the audit is completed, the excess revenue is divided among the same lines as the percentages they talked about, whoever is responsible to pay will get that percentage back. In reference to the building, it was discussed earlier on about just adding on to one end of the building. However, they did not feel that this was a feasible route; the building has to be brought into code compliance. The electrical room has refrigerators in it, none of the bathroom are ADA compliant. They thought it better to dedicate this building to the lab building, take all the admin spaces, and dedicate it to the lab, and this will put them in a good position 20 years from now. This explains the 850 square feet; all the admin spaces there now will be gone and this will be all lab related spaces.

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Councilor Gore then addressed Mr. Altman for his perspective. Mr. Altman also discussed the processes and front-end planning. They hire engineering firms to scope out projects and provide cost estimates. They approach a project a little bit differently in that they request the full funding of that project at one time as opposed to a phase funding, which is what industry does. Historically, the City experience has been that there were times when projects were agreed to be paid in phases, but then they would get phase one done, but no support for phase two at the Commission level.

They switched to a full allocation so that even if the project takes three years, at least they have the full cost to complete that project. This project has been around for years; in his previous time with the City, there has been a discussion to expand or build a new admin building back then.

From the City's perspective, he wants to work with the industry and make sure that there is a fair process. If they need to have a Commission meeting in the early part of July to bring McGill in to have that conversation with industry, I think we're completely willing to do that; McGill has something in the handout that is not explained, like other options. What McGill is saying is based on current and future needs. We will need the entire building as lab space, and not just an additional 850 square feet.

Mayor Bennett asked as a point of information if front end planning was done here in the City. Mr. Altman answered affirmatively. Mayor Bennett asked when front-end planning was done for the Edmond building. Mr. Altman replied that McGill was the study that was done on the front end planning that was requested, done in July or shortly after July of last year.

Mr. Byerly stated that the year before that, once staff assess needs and capital needs are for the next coming year, engineers McGill Hazen and HDR and divide the project up and give each one of them however many projects that they have, ask them to have a scope of work and a cost estimate within 60 days.

Councilor Gore asked Mr. Altman to continue. Mr. Altman had several conversations about changing the process and making sure they have more upfront information and making sure everyone has the same information and is readily available, and making sure that everyone is comfortable as they moved forward.

He has conversations with Mr. Mueller about how local government and industry do business in construction differently. For local government, everything is done publicly such as bidding – bids are public and dollar amounts have to be made known. Because of public procurement this increases cost. Other options discussed included renting lab space. Once that rented space is gone, there is nothing to show for it, and from a capital perspective, it is better to take the same dollars and invest it into a new project. For industry, there are shareholders and dividends; to some degree, it is cost deferral.

Mr. Altman stated that in his conversations and understanding of the meetings, he did not see this as a hard "no" but a need to understand more about the project. Finally, he stated that if the thought of Council is to have this work session, he suggested that they should not include the project in the adopted budget because that triggers the Commission's need to start finding money. He said to pull it out until their July work session, and then put it back in.

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Councilor Gore addressed concerns that was raised about having actuals and other documentation. She asked what the resolution was for that. Another question she asked regarded a document that has a cost analysis or a comparison chart that has displays options for everyone to see.

Mr. Altman's response to the second part of Councilor Gore's question is the importance of having McGill come before Council; they may have some of that information but didn't include it in the documents. Councilor Gore stated that if this information is not there by the time they have the July meeting then they should have that information before Council should have it prior to the work session.

Mr. Altman addressed the other question regarding the actuals. He stated that this was a conversation between himself and Mr. Byerly, making sure that they track that for them so that there is a better understanding of actual cost. Councilor Gore recommended that this information is also available at the work session as well.

Mr. Girvin continued the presentation with discussion of the lab space, it is an additional 850 square feet and is going on the back of the building, and everything will be upgraded, as well as building a new building.

After a lengthy comment from Vice Mayor Partin regarding the timeline of the project of the lab building and creation of the capital subcommittee, and the vote for approval of the budget, he asked Mr. Dave Harless, , to come to the podium to speak about the recommendation.



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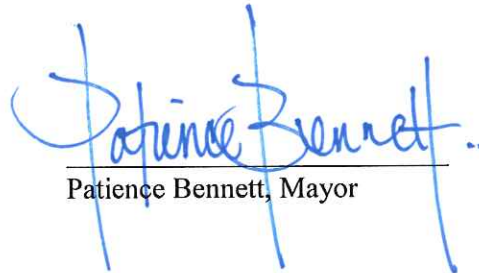
**ADJOURN**

Motion made by Councilor Randolph and seconded by Vice Mayor Partin to adjourn the meeting.

ROLL CALL:	Councilor Gore	-	yes
	Councilor Denton	-	yes
	Councilor Pelham	-	yes
	Mayor Bennett	-	yes
	Councilor Randolph	-	yes
	Councilor Holloway	-	yes
	Vice Mayor Partin	-	yes

Motion passed 7-0.

Meeting adjourned.



Patience Bennett, Mayor

/s/ Mollie Bess  
Mollie Bess, City Clerk