

Regular/Public

October 18, 2010

President Baker called the regular meeting to order. Councilman Denny Miller offered the prayer. The Pledge was recited by all.

Roll call: Shupp, Miller, Vance, Hamsher, Aspiras, Corfman, and Leathers were present.

Corfman moved and Hamsher seconded that the minutes of the October 4, 2010 regular meeting be approved. Roll call vote. Ayes all. Motion carried.

Public Comment: None.

Standing Committee Reports:

A. Finance – Mr. Miller had no report.

B. Utilities – Mr. Vance had no report.

C. Health & Safety – Mr. Corfman had no report.

D. Parks and Recreation – Mr. Aspiras had no report, but congratulated Nathan Rosenbaum on the first place finish at the OCC Cross Country track meet. He was also elected OCC Runner of the Year. So congratulations to Nathan. Also, I would like to wish the best of luck to the Orrville High School Boys Varsity Soccer team and the Orrville High School Varsity Volleyball team as they start their playoffs tomorrow night. This will be our last meeting before the big Wooster/Orrville 100th meeting for varsity football, so go Red Riders October 30th, Saturday, at Follis Field.

E. Transportation – Mr. Shupp reported the committee met last Monday night at 7pm on October 11th. The first item of discussion was the name changes of Mineral Springs and North Ella. After the discussion it was decided to go forward with the name changes on an honorary basis. Additional signage will be placed at several intersections in the appropriate areas with the names Red Rider Road, Orrville Way, or possibly Education Drive – whichever the Mayor and Administration decides to go with. If anyone prefers the names be officially changed, there is a process in place to do so if you are inclined to. I believe the process starts with the Planning Commission. The second item of discussion was the traffic study of four intersections in town. The cost will be approximately \$6,000 in total. Those intersections will be Crown Hill Road and Hostetler, Crown Hill Road and High Street, Maple Street and Market, Oak Street and Vine Street.

F. Planning – Mr. Hamsher had no report with the exception that he has talked with several people regarding the street change and there is a large contingent that is in favor of going permanent. So we may be revisiting that in the near future.

G. Ordinance & Personnel – Ms. Leathers had no report.

Special Committee Reports: None.

Administrative Reports:

A. Mayor - Mayor Handwerk announced the Employee of the Month is Officer Jamie McGreal. She was selected her supervisor in the police department. She graduated from Kent State University in 2005 with a Bachelor of Arts in Justice Studies and Conflict Management. Officer McGreal began her career with the City of Orrville Police Department in December 2007 and since joining the OPD

Regular/Public

October 18, 2010

she has become a bicycle officer, an assistant hostage negotiator for the special response team, and has excelled in the area of investigations too. Officer McGreal has been involved in numerous public relations programs and will become a certified school resource officer later this month. She will assist Detective Josh Hunt in his role as in the department school resource officer. We are proud to have her as an officer of the department. We have not been able to eat lunch together yet because her schedule and my schedule have not been agreeing very well. We will get that arranged some time. Secondly, I just wanted to mention this will be our third winter coming up here for the Adopt-A-Citizen program. It has worked very well for a few people that have been on the list. We do have people that have contacted me that are willing to help in that process, but I really have to point out that if you are somebody that has a family member that maybe you live out of town and your parents are living here and maybe they are elderly or handicapped and can't do the snow removal, that sort of thing, you really need to contact my office now – this fall – before we get into the winter storms. It just nearly becomes impossible when somebody calls my house the day we are getting the storm because either I am outside doing the same thing other people are doing or I can't get a hold of anybody else that can help that day. The ones that we had people matched up with last year, I think it worked very well. Some of them had some of the high schoolers and of course if we get snow on a day that maybe they are in school they are not going to be able to do that until maybe after school, but for the most part it has worked very well and as I said we do have volunteers that are willing to help but we need to know that ahead of time. Lastly, this is something I would much rather do next week, but since we don't have a council meeting next week I will mention it tonight. If you are a member of the football team as a player or coach and you are watching intently the City Council meeting, please turn off your television now because you don't want to hear this because we have a big game with Clearfork this week and I don't want them thinking about Wooster week, but I do have a proclamation for the Orrville/Wooster game. Mayor Handwerk read the proclamation proclaiming with week of October 25th – 30th, 2010 as Beat Wooster Week in the City of Orrville, Ohio.

B. Safety Service Director- Director Wheeler reported that in doing some required reporting Kristin Endsley created a summary of our grants since 2002 and we have received \$5,380,000 in State and Federal grants over the past eight years. Many of those kudos go to Kristin for her efforts. Halloween will be recognized October 31st from 4-6pm. Again, the reason that we assigned a time is to ensure there is extra police patrol during this time and anyone that is out driving we urge them to use extra caution and be aware and cognizant of little ones walking around during that time in costumes. Be careful driving during that time. Final inspection of the fire truck is scheduled for the end of this month and we do expect delivery by early to mid November. As that date becomes more firm I will let Council know. We will start some concert work tomorrow that will make Hostetler Road one lane through Friday and we urge everyone to avoid this area, if possible. Finally, what everyone has been waiting on – the leaf pickup. Orrville Service Department will begin leaf pickup on Monday, November 8th, starting with every street south of Market Street. This is scheduled to take one week. Of course, if we are not done within that one week, we will complete the entire area south of Market Street before moving to the north. On Monday, November 15th, pickup will begin on every street north of Market Street. This is also scheduled to take one week and if we are not done in one week, we will complete the entire area north of Market Street before beginning a cleanup pass. So if you live south of Market Street, please have your leaves placed ready for pickup on Monday, November 8th. If you live north of Market Street, have your leaves placed ready for pickup Monday, November 15th, and November 22nd we will begin a final cleanup sweep beginning south of Market Street. After the area south of Market Street is complete we will move to the area north of Market Street. November 25th and 26th City crews will be off to celebrate Thanksgiving and November 29th pickup will resume were we left off and will complete the schedule on or before December 3rd. Hamsher: Mr. Wheeler, when we receive the fire truck mid-November we will take a fire truck out of commission. There are plans that we will sell that?

Regular/Public

October 18, 2010

Wheeler: That is the plan. Believe it or not there is a market for used fire trucks even in that condition. Many of the times they are actually shipped overseas to other countries. They pay a decent amount for them; more than what they would be locally.

Hamsher: And we will take that money and apply it towards the purchase price of the new one?

Wheeler: It would go directly back into the General Fund. So yes, it would be money that we recuperated from what we had spent on the fire truck.

Vance: Regarding leaf pickup – some folks don't have a tree lawn, but they are already needing to rack their leaves out to the curb. Where do you put your leaves in that case? If you don't have a tree lawn, it is almost like you are putting them out in the street.

Wheeler: I would urge you to go ahead and keep them adjacent to the sidewalk and then not push them out until closer to the time.

Vance: So keep them behind your sidewalk?

Wheeler: That would be preferable so you don't block any traffic. A lot of people park in those areas as well. I did forget to mention that Hostetler Road construction is actually adjacent to Dairy Lane so that is the general vicinity of where the construction will be.

C. Utilities Director – Director Brediger reported an update on our natural gas program and I will have a few comments under new business with the resolution. I did check the PUC website this evening. The AMP-Ohio natural gas aggregation price of \$5.88/mcs is still the cheapest fixed one year deal on the block. The closest competitor is \$5.98 fixed firm one year. There are a couple places that have lower prices, but they are on a variable rate plan or they may be a six month plan. You just have to do your math and take a look and see what your risks are for that. Natural gas futures are dropping a little bit. They are coming down in October. They are expecting to decline a little bit more in November, but after that they are expected to go back up. I would urge anybody that is contemplating this to be making some decision here sometime within the next couple weeks to tie down these prices because they will be the lowest of the season. You will be able to get into the AMP aggregation program at any time regardless, but all these other plans these things are updated almost on a weekly basis. The \$5.88 is still if you want the one year fixed security of knowing what that gas is going to be. That program is still the best one out on the market.

Miller: How would people get into that if they are not sure if they are in it or if they want to get in it? Is there a phone number they can call?

Brediger: I did not bring that 1-800 number, but if you would just contact our office it is with Interstate Gas & Supply Company. Their name and phone number is on the Public Utility Commission of Ohio's website, but just as easy call the utility office and we will give you that 1-800 number and they will be able to tell whether or not you a current supplier or currently on their program or how to enroll in their program.

D. Finance Director – Director Strimlan report the Quarterly Investment Report was distributed prior to tonight's meeting. This is for the third quarter of 2010. It does not require any action from Council, but our Investment Policy does require that the minutes reflect that the report was distributed. I also distributed the Fund Balance Report for the period ending September 30, 2010. I would ask for a motion to approve that report subject audit. Miller moved and Vance seconded. Roll call vote. Ayes all.

E. Law Director - Director Lutz reported that approximately on a quarterly basis the three cities – Wooster, Rittman, & Orrville – try to get together and talk about issues that are affecting our three cities. This past week we got together and also had our County Auditor, Jarra Underwood, and representatives from the Humane Society at that meeting for the purpose of discussing the vicious dog/dangerous dog issue. What we are trying to do is the three law directors are trying to coordinate to see if we can have a uniform ordinance. All of our ordinances are different and yet still different from the Ohio Revised Code and how that reads. The idea is if we can all live with the Ohio Revised Code language that we would be proposing that to our respective councils to cause our ordinances

Regular/Public

October 18, 2010

to read the same as the Ohio Revised Code. The reason for that is, in discussing these matters with the representatives from the Humane Society and Jarra Underwood, it would allow better enforcement and education to the public if everybody was on the same page in the whole county. That is why Jarra Underwood was there. She was proposing she could put out information with the dog license material they send out educating people what they have to do when they have this situation of a dangerous or vicious dog. More to that to follow. I will send it to Mr. Corfman's committee once we arrive at anything – if we arrive at some sort of uniform agreement so your committee can look at it. I just wanted to let you know that was going on.

F. President of Council – President Baker reported he was approached one day last week by a gentleman and he says “I understand I am not allowed to come to City Council meetings.” I said, “What are you talking about?” He said, “Well I heard nobody is allowed to come to City Council meetings.” I said, “Well that is not true” and I just want to make sure – I am not sure where that rumor got started, but I want to make sure that everyone understands all of our City Council meetings are open with the exception of executive sessions. So if you would like to come up here and sit and watch us, you are more than welcome. You are also welcome a committee meetings also.

Peppard: You might want to mention that to be able to speak they need to fill out a public comment form.

Baker: If you wish to speak at a City Council meeting, then there is a form that you need to fill out and turn in ahead of time. Again, we are not going to stop you from speaking. You are welcome to speak. There is a time limit on that. We are not going to have meetings last four or five hours while someone talks. You are limited to three minutes and the topic needs to be something pertaining to the interest of the City.

Vance: If for some reason someone wasn't able to fill out the form, they can be invited by a member of City Council. I don't know if there is a motion required to allow them to speak, but that is another option if someone wasn't able to get a form in on time.

Lutz: I would also add that if circumstances warranted, somebody can go beyond the three minutes with a motion made by a member of council; they can extend that time. Just so if people have a topic that they don't think they can compress into three minutes, there is a way to go beyond that if it is necessary to do so.

Old Business: None.

New Business:

RESOLUTION 26-10

Leathers moved and Aspiras seconded that Resolution 26-10, a resolution authorizing the Public Utility Board of Control to execute a contract and/or contracts, without bidding, for coal supply for a period of three years, and declaring an emergency, be placed on first reading. Roll call vote. Ayes all. Motion carried.

Brediger: I thought I would take a couple minutes to review the Utility Board's rationale behind this resolution. I would like to discuss some of the issues behind this resolution; the approach the Board took; how the prices were evaluated; and how we came up with the final recommendation in this resolution before you. To serve a little bit as a back ground, around mid-summer we were getting an indication that the pricing for fuel going forward was increasing; mainly driven by exports and a rebounding economy. If you recall, back in 2007 we saw a similar sort of phenomena with the emerging global markets and the exports started taking off and we saw our coal prices over a one year period increase 38%. We are also aware that other contracts in the area were up price wise significantly in 2010. We confirmed the future's market that these prices were increasing and they were trending back to the levels of pre 2009 and they were expected to be escalating at a pretty steep rate over the next two years. We utilized the future's market as a basis for determining the floor where the coal price is at. This isn't necessarily what it costs the coal mines to produce the

Regular/Public

October 18, 2010

coal, but it is pretty much what the market will bare and it is a market that is similar to the electric commodities market that we work in. It is how gasoline is priced. It is how pork bellies are priced. It is what the market costs are and what the folks on Wall Street have a feel for where those prices are going as we go forward. We are also concerned that if we went out for bid that we would see prices that were more reflective of the market versus what they truly are. We also have fewer suppliers in the region that can add to the cost. We also have the uncertainty of what our future fuel needs were going to be in the next three years due to the pending regulations. We need to have some consistency and flexibility in both the quality and the quantity of coal that is burned at the plant. Also, mining costs themselves have been increasing significantly over the past couple years due to new EPA regulations. The approach we took is beginning this summer recognizing all of this we started having conversations with our current supplier, Oxford Mining. In the due diligence area we contacted six other suppliers in the region. Three of which responded back to us providing us with some informal price ranges to compare against the contracts that we knew had some good prices in there to compare against what we were possibly looking at for next year and we also started looking more closely at other industry indicators to get an idea of where we thought our prices would be. When we started receiving these prices, we saw them aligning up on the high side. They were close to where the market was at and we knew we were really going to be looking for some pretty large price increases. With this information we went back to Oxford Mining. They are aware and they also respect the fact that we are a pretty sophisticated buyer; we understand the coal mining industry. We understand their business. They understand we have a lot of contacts out there and we are checking prices and we are doing a lot of homework. With that we went back to them and said given all this stuff we want you to give us a price for next year and look at some options for years two and three. With respect to the evaluating in pricing, the proposal that we received back from Oxford Mining was below four contract prices for other buyers and areas within our region. One of the bids was about \$2,000,000 lower. One of the suppliers could not meet all of our coal requirements although on the one type of coal they did offer a bid on they were pretty competitive. Another supplier also could not meet all of our coal requirements; they could meet most of the required coal. They also had a competitive price although higher. They were also requiring 50% of our total needs. Unfortunately they had a history of inconsistency with us from a quality control perspective. They were penalized half the time in the last couple years of our contract and as a result of that we actually reduced some of the coal volume orders in the last two years of the contract. We had some concerns over awarding a large portion of that contract to them if we were going to consider them. Oxford Mining has been a supplier of ours for over six years. They have supplied strong technical support for us. They provide excellent service. They have flexible delivery schedules. They are able to move their delivery schedules around our production. That is not very common with some coal suppliers. They have no maximum or amounts of coal they will sell us. They have no minimum purchase requirements and they have a wide variety of fuel. Overall they provided the lowest cost of all of our proposals that we evaluated and the pricing that they gave us for years two and three are below where the future projections are coming in at. One thing is that if we would award less than 100% of the coal contract to Oxford they had indicated to us that the price would go up accordingly; which in turn would end up costing us even more next year. Orrville is Oxford Mining's largest industrial customer so some of that was taken into consideration on the price proposal. Their pricing is about \$10 under the market right now and signing up for longer terms does lower our risk both on our side – caps where some of our costs are going to be and provides a little certainty from the coal mines perspective for planning purposes. Just to give you an idea of where the costs are expected to be; in 2010 we expect to spend roughly \$9.5 million on coal. In 2011 that will go to about \$11 million – that is about a 19% increase over this year. 2012 we will see that estimated fuel to be in the neighborhood of \$11.6 million – roughly 5%. 2013 \$12.1 million – another 5%. If you look at all three years combined, that equates to about a 9.7% increase per year levelized over that three year period. If we look at where the coal futures are at, those coal futures range for next year (the second year of the contract) any where from 7.5% to a little bit over 10%. That is compared to the 5% increase that Oxford has proposed to us and for the third year that market is in the neighborhood of

Regular/Public

October 18, 2010

3.6% to 5.4% compared to 5% that Oxford proposed to us. So keeping all those considerations in mind, the Board has recommended that we do enter into a three year fixed contract with Oxford Mining. I will add that these coal prices do have fuel surcharges that are connected with them and they are based on government indexes for on and off road diesel prices. So when we see increases or decreases in those fuel prices we will see our monthly fuel costs kind of very. That is mainly the main driver that you see in our rate structure when the Board looks at those fuel surcharges on a quarterly basis. We have asked that this resolution be worked out in the terminology of declaring an emergency and just as a reminder we are requesting that only to expedite the execution of the contract. What that does is it avoids us waiting 30 extra days following the final approval of this body of the contract. It allows us to get that contract back into the hands of the mine before December 31st of this year when our coal contract expires. Prior to the council meeting I passed out a chart history that gives you a little bit of idea where our coal costs have been from 2003 projected out through 2013. Just to give you a little bit of background and history, if we would take that line back and go back even further we would see those prices pretty much leveled out in the low to mid 20s for five or six years ago. But it really hasn't been until we've seen the emerging markets overseas in 2006/2007 that it has been a significant increase in fuel costs and the reasons for those is the exporters are paying a huge premium for coal being exported out of the United States well above most contract prices that are out there and the coal mines get to make the decision do they sell the coal and go through the effort of getting it overseas or do they split some of their business domestically and that is kind of how they get at their pricing at the end of the day. It is just a business decision on where they want that coal to go, but they always remind you on what it can go out to. Hamsher: Thank you for your chart Mr. Brediger. There are two things that come to mind very quickly and you may have touched on it at the very end. In 2007 and into 2010 it looks like there are large increases – 35% in one year and 19% this year. Could you reiterate what caused that large jump? And secondly, without this information at hand I am sure the viewer at home would be interested in what this means for me; how is that going to affect my bill.

Brediger: I can answer the first one easier than the second one. The first one again the majority of increases were due to mainly surges in the export market and we've had a pretty good track record of negotiating pretty good coal contracts in the past. When we negotiated the contract in 2004 for the period of 2005-2007 the market was low. It was a buyer's market and we had a solid contract and we were a little bit in the driver's seat. We had more coal suppliers to choose from at that time and there was some strong competition and our coal prices that we received during that period were a reflection of that. So at the end of that contract period it is a whole new ball game; different markets; different barometers that the coal mines were trying to establish the floor of their coal contracts and that combined with the global economy just starting to take off, really kind of exploding in that 2008 period, that is where we saw that large increase. A little bit of that is pretty much true today even though the economy was going strong in 2007/2008 we negotiated another good contract for that three year period. If we would have waited another year, we would have probably paid another 10-15% more just in that one year. So we would have saw even larger fuel prices in 2008/2009/2010. A lot of it is timing and a lot of it is our ability to understand who we are doing business with. That is our job. This is the largest O&M expense we have and we spend a lot of time and diligence making sure we are getting the best bang for our buck. With respect to where we see the rates going, I can have a little bit better answer for you at the next council meeting other than yes we are going to see roughly a 20% increase in our fuel costs for next year and that will translate into some rates. I can give you a pretty clear picture at the next meeting. It is not going to be knock you off your chair increase. We have seen some volatile increases and actually we've discussed some strategies with the Utility Board to try to transition our way into that in the last quarter of this year so we are not seeing that large of a shock. So that first quarter power cost adjustment factor in 2011 doesn't hit you along side the head. We are not talking utility bills doubling or anything as a result of this. They are going to go up \$5-\$6 (don't hold me to that). it is not going to be a huge increase from a residential perspective.

Regular/Public

October 18, 2010

Good of the Order: None.

Leathers moved and Corfman seconded that the council meeting be adjourned. Ayes all. Motion carried. Council was adjourned at 8:08 p.m.

Tamra Peppard, Clerk of Council

Date

Lyle Baker, President of Council