

Hillsboro City Council Meeting
Special Meeting on Water and Airport Sale Agreements
May 5, 2008

Mayor Baran called the meeting to order at 7:00 pm.

Roll call was taken and those present were Mayor Baran and Commissioners Trost, McCammack, Hill and Sherer.

The Pledge of Allegiance was recited.

Mayor Baran began the meeting with informing everyone that the reason for the meeting was to discuss the latest agreements with the coal company concerning the sale of untreated water and the airport.

Mayor Baran stated that Commissioner Hill and her committee had worked long and hard to create an agreement that would be in the best interest of the citizens of Hillsboro and surrounding communities. Mayor Baran next mentioned that Commissioner McCammack was brought in to help with the financial negotiations and has also done an excellent job.

Mayor Baran stated that the Council had received the latest agreements from the coal company and felt they still needed considerable changes in the wording. There were changes in each agreement that the Council was not ready to agree upon. The airport agreement never mentions the Fire Departments burn building on the property, discusses zoning, and the leasing of the property to the Airport Board, which are issues that need more clarification.

Mayor Baran also informed everyone that he was irked that the coal company had tied the sale of the airport to securing a water contract.

Mayor Baran and Roger Dennison, a negotiator for the coal company had a brief discussion on some of these issues and agreed there needs to be more work by both parties. There are issues with what happens if the mine closes or sells, jury trials if there are any suits filed, and leasing of the property to the airport board.

Mayor Baran introduced Mark Joy of the Natural Resource Committee who has been working on a water agreement for over a year.

Mr. Joy introduced members of the Natural Resource Committee who were present tonight. Mr. Joy began by stating he understood Mr. Dennison's position as a business man, but the Committee's position was to do what is best for the citizens in and around Hillsboro. There were 5 points in the water agreement that needed to be addressed. Point one being the 4 categories of available water. Pricing would be as follows: overflow (.15), below overflow (.50), grey (.15) and excess (.15). Mr. Joy conceded this would

bring less revenue than originally anticipated, but would also have less impact on the lake. The second point was the option payments were much smaller than originally discussed. Mr. Joy stated the \$25,000 per year to hold the option was not really a very large sum of money. The third point involved the annual rate increase amounts and when they would take place. The coal company wanted a 2.5% and the Committee wanted 2.5% or the CPI (consumer price index) whichever is higher. The fourth point concerns the clause addressing right of first refusal where the Committee does not feel the City should agree to this. Mr. Joy also felt the .15 per thousand for excess water should be at the same rate as the below the overflow water .50 per thousand. Mr. Joy next touched on the grey water issue feeling it should be left out and, if needed, negotiated later. Joy also stated he felt it was premature to sign any unfinished agreements. The process needs to be done right and done fairly as we will have to live with the agreement for possibly 50 years.

Mayor Baran informed Mr. Dennison that there would be no decision on this tonight but did tell him he had met the timeline requirements to keep the airport contract on the table.

Mr. Dennison reminded the Council that he is not the final say on any contract negotiations, He has to run everything through his corporate office.

Commissioner McCammack stated he became involved in the negotiations thinking money was the only issue that needed addressed at this time with the attorneys for each side doing the rest, which doesn't seem to be the case.

Commissioner Trost felt there still needed to be language in the contract involving the parent company of the coal company. There also needed to be language insisting on incorporating into the City and he was against the clause pertaining to right of first refusal.

Commissioner Hill stated that due to an impasse in current negotiations Commissioner McCammack stepped in and did as he was asked concerning a monetary agreement. The details of the contract are where Commissioner Hill and her Committee still have concerns. One of her major concerns was the clause that states any excess water would be sold at the same price as overflow water. Therefore why spend money to increase capacity if you are going to sell it at a lower rate. Commissioner Hill stated she had concerns over the sale of the grey water and was not ready to lock in a price. The IEPA may mandate that this water needs further treatment in the future and the costs could be high. Commissioner Hill also stated she and our attorneys have problems with removing the jury trial portion from the agreement. There were also still concerns over incorporation and fiscal security by the coal company for protection of the City. There is a vagueness concerning exercising of the option where we assume the coal company will begin their piping and metering installations. The contract only states the coming to an agreement of a delivery date. We assumed that once the option is exercised that the monthly minimum payments will begin; the agreement doesn't state this. Concerning easements the City would do all they could when crossing City property, but we don't know how much assistance we can give crossing private properties. Commissioner Hill

was also concerned with the clause stating the City owns certain lake facilities; she would like to see the agreement only mention Glenn Shoals.

Mayor Baran discussed the issue of financial securities and understands the coal company is discussing creating a net worth in the company that would cover any liabilities. Mayor Baran stated this is important to have in the agreement. Mayor Baran also discussed the clause involving the initial payment of \$50,000.00 to the City and an additional payment of \$50,000.00 6 months later. Mayor Baran wanted the agreement to reflect that the second payment is reimbursement for the lake study the City had paid to have done. The next question was why such a long term contract and with 10 year options at the end of 50 years.

Mr. Dennison explained it was because they intend to also mine from 2 other sites and this would extend the life of the operation.

Mayor Baran asked for a clarification as to when the .50 rate would kick in versus the .15 over the spillway rate. It was determined that the City would make notification to the company when that level is reached.

Mayor Baran also stated that he did not feel the City should commit to allowing the coal company to be the sole purchaser of any excess water. This water may be needed by another entity in the future that could bring more jobs to the area.

Mayor Baran stated he truly wants the coal company here but he also has to look out for the citizens and taxpayers of the community and come to agreement that all can live with for the next 50 years.

Mayor Baran also stated that if at a later date the coal company needs more water to attract a gasification plant then the matter of the excess water could be looked at and negotiated.

The coal company next passed out their latest proposal to the Council for their review, which hopefully addressed some of the issues brought up tonight.

Motion to adjourn was made by Commissioner McCammack and seconded by Commissioner Trost. Motion carried 5-0.

Respectfully Submitted,
Dave Booher, City Clerk