

STATE OF THE CITY ADDRESS - 2012

HAPPY NEW YEAR FOR 2012

THANK YOU FOR GIVING THE CITY OF SOMERSET AND MAYOR AN OPPORTUNITY TO REVIEW OUR ACHIEVEMENTS DURING 2011.

WE WILL ALSO REVIEW OUR PROPOSED ACTIVITIES FOR 2012 AND IMPACT ON OUR COMMUNITY.

SPECIAL PRAISE TO MARION PRICE, BOARD MEMBER OF THE MONTH, AND KATHE VAUGHN, AMBASSADOR OF THE MONTH. SPECIAL THANKS TO BOBBY CLUE, WHO IS PROVIDING EXCEPTIONAL LEADERSHIP FOR OUR COMMUNITY.

OUR THEME FOR 2012 IS " A BRIGHTER DAY FOR SOMERSET".

OUR APPROACH ON THE STATE OF THE CITY ADDRESS IS TO GIVE A BRIEF SUMMARY OF THE OUTSTANDING ACCOMPLISHMENTS DURING 2011, SHOW A VIDEO WHICH VISUALLY DEMONSTRATES THOSE ACTIVITIES, AND CLOSE WITH OUR VIEW FOR 2012. THE THEME OF "ABRIGHTER DAY IN SOMERSET" WAS COPIED FROM A DOOBIE BROTHERS SONG RELEASED LAST YEAR.

AS I ENTER MY SIXTH YEAR AND SECOND TERM AS MAYOR OF SOMERSET, I AM PROUD OF THE LEVEL OF COMMITMENT THAT THE CITIZENS OF SOMERSET HAVE MADE - NOT FOR THEMSELVES - BUT TO HELP OUR COUNTY, REGION, THE COMMONWEALTH AND OUR NATION. HOPEFULLY, BY THE COMPLETION OF THIS ADDRESS, YOU WILL UNDERSTAND

THE FAR REACHING IMPACT OF THE DECISIONS MADE BY THE CITY AND WHY YOU SHOULD

NOT ONLY BE A PART OF SOMERSET - BUT BE PROUD OF IT.

FIVE (5) YEARS AGO, DURING MY FIRST TERM AS MAYOR, WE PROVIDED THE MOST AMBITIOUS AGENDA OR GOALS IN THE CITY HISTORY. NOT MANY PEOPLE BELIEVED THAT WE COULD INVEST 50 MILLION DOLLARS, LOWER PROPERTY TAXES, LOWER OR KEEP ALL UTILITIES AT THE SAME RATE, AND MAINTAIN THE FINANCIAL STABILITY AND POSITION OF THE CITY. WE ARE HERE TODAY TO TELL YOU THAT WE HAVE ACHIEVED THOSE OBJECTIVES.

DURING THAT FIRST TERM, WE OUTLINED A STRATEGY OF INVESTING AT LEAST 50 MILLION DOLLARS IN OUR CITY TO UPGRADE, EXPAND AND PROVIDE NEW SERVICES THAT WERE NEEDED TO MEET OUR FUTURE NEEDS.

THE STRATEGY ALSO INCLUDED LOWERING PROPERTY TAXES TO UNHEARD OF LOW LEVELS WHILE LOWERING ALL UTILITY RATES FOR CITY RESIDENTS THAT RECEIVE DIRECT SERVICES.

THE STRATEGY INCLUDED LEVERAGING THE FINANCIAL RESOURCES OF THE CITY OF SOMERSET SO THAT WE COULD DO THE PROJECTS OURSELVES WITHOUT RELIANCE UPON FEDERAL OR STATE GRANTS THAT DID NOT EXIST AND DO NOT EXIST TO THIS DAY.

THAT STRATEGY WAS REVIEWED, DISCUSSED, REDISCUSED, ARGUED AND SUPPORTED BY THE ACTIONS OF THE CITY COUNCIL AND MAYOR. THE CITY COUNCIL AND MAYOR STRATEGIES WORK:

THROUGH 2011, OVER 50 MILLION DOLLARS IS BEING INVESTED BY THE CITY OF SOMERSET INTO YOUR FUTURE AND THE FUTURE OF YOUR FAMILY WHILE MAINTAINING THE HIGHEST FINANCIAL INTEGRITY AND FINANCIAL VALUE OF THE CITY. THE CURRENT BONDS ARE RATED A1+ THAT REFLECTS A STRONG FINANCIAL POSITION EVEN WITH THE MAJOR PROJECTS UNDERTAKEN.

DURING 2011, PROPERTY TAXES FOR RESIDENTIAL , COMMERCIAL, AND INDUSTRIAL PROPERTY WERE REDUCED BY ANOTHER 10% LOWERING PROPERTY TAXES BY AN AMAZING 45% (36% ON AN EFFECTIVE RATE). THE DECREASES HAVE BEEN SOME OF THE LARGEST IN THE NATION AND VERY FEW CITIES OR COUNTIES HAVE EVER REDUCED RATES.

2011 BROUGHT NO INCREASES TO CITY RESIDENTS BEING PROVIDED DIRECT SERVICES FOR NATURAL GAS, WATER, OR SEWER. IN FACT, DECREASES HAVE OCCURRED OVER THE PAST 4 YEARS AND NO INCREASE HAS BEEN EXPERIENCED BY ANY FAMILY LIVING IN SOMERSET DIRECTLY SERVED BY THE CITY . AGAIN, THIS IS VERY RARE IN THE STATE OR NATION.

2011 BROUGHT COMPLETION OF A \$15 MILLION WASTEWATER TREATMENT PLANT THAT WAS ESSENTIAL FOR ANY NEW JOBS, RETAINING EXISTING JOBS, AND PROTECTING YOUR ENVIRONMENT INCLUDING LAKE CUMBERLAND. GOVERNOR BESHEAR WAS WILLING TO PROVIDE 9 MILLION DOLLARS IN FUNDING TO COMPLETE THE PROJECT.

WE ACTUALLY HAD MANY DISCUSSIONS BEFORE WE BORROWED \$9 MILLION THAT BECAME CITY DEBT TO HELP OUR NEIGHBORS. THE CITY DID NOT HAVE TO BUILD THE PLANT BECAUSE THE OLD PLANT MET OUR CITY NEEDS NOW AND IN THE FUTURE. BUT IN THE END, THE CITIZENS OF SOMERSET, THROUGH THE CITY COUNCIL AND MAYOR, REALIZED THAT A HIGHER SENSE OF PUBLIC VALUES SHOULD PREVAIL, AND THE PLANT WAS BUILT.

IN 2011, THE MOST MASSIVE PROJECT UNDERTAKEN BY THE CITY OF SOMERSET WAS STARTED. A \$25 MILLION WATER PLANT THAT INCORPORATES THE LATEST WATER TECHNOLOGY AND DESIGN WAS STARTED TO REPLACE THE EXISTING WATER TREATMENT PLANT.

THE PRESENT PLANT WAS AT CAPACITY AND I HAD ALREADY ISSUED MORATORIUMS OR STOPS ON ANY NEW SIGNS UPS IN OTHER COUNTIES AND LARGE DEVELOPMENTS IN THE COUNTY. IF A DROUGHT LIKE SEVERAL YEARS AGO OCCURS, ADDITIONAL STOPS WOULD HAVE TO BE PLACED ON WATER USE.

NEW JOBCREATION AND EVEN MAINTAINING EXISTING JOBS NOT INCLUDING PROVIDING SAFE WATER TO OVER 110,000 PEOPLE IN FIVE MUNICIPALITIES AND FIVE COUNTIES WERE MAJOR PROBLEMS. AGAIN, THE MAYOR AND CITY COUNCIL HAD MANY DISCUSSIONS ABOUT THE ROLE OF SOMERSET AND WHO WAS COMING TO THE AID OF OUR COMMUNITY AND REGION TO BUILD SUCH A PLANT. AFTER SEVERAL YEARS OF DISCUSSION AND CITY STAFF WORKING VERY HARD TO SECURE FUNDING, THE MAYOR AND CITY COUNCIL REALIZED THAT IN THE END THERE WOULD BE NO PERSON OR GROUP WILLING TO FIND THE FUNDS OR COMMIT TO SUCH A PROJECT. WITHOUT ACTION BY THE CITY COUNCIL, ECONOMIC GROWTH FOR ALL OF THE COUNTY AND POSSIBLY SURROUNDING AREAS WOULD STOP AND JOBS FOR OUR CITIZENS WOULD NOT EXIST. JOBS ARE ONLY GOING TO BE CREATED OR MAINTAINED BY ALL OF US COMING TOGETHER FOR PUBLIC VALUES.

WITH OUR UNDYING ADMIRATION, US DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT KENTUCKY OFFICE SAW THE WISDOM IN THE PLAN AND WORKED OUT A FINANCING PLAN WHEREBY THEY PROVIDED \$6 MILLION GRANT, \$14 MILLION LOAN, AND A PARTNERSHIP LOAN OF \$5 MILLION THROUGH THE KENTUCKY RURAL WATER ASSOCIATION.

WE ARE GRATEFUL TO PRESIDENT OBAMA AND THE STIMULUS FUNDING FOR MAKING THE FUNDING AVAILABLE. ALSO, THE PROJECT REQUIRED THAT ALL PRODUCTS USED IN THE PLANT CONSTRUCTION MUST BE MADE IN AMERICA.

THE MADE IN AMERICA CONCEPT IS WORKING AND THE DETAILS REQUIRED ON A QUARTERLY BASIS IS EVIDENCE THAT THE STIMULUS PROGRAM IS CREATING JOBS. THIS PROJECT INDICATES THAT PRESIDENT OBAMA EFFORT TO GET OUR NATION MANUFACTURING PRODUCT AGAIN AND RETURN THOSE GOOD PAYING JOBS TO AMERICAN SOIL IS THE WAY TO SAVE OUR COUNTRY.

(BE KIND TO THE PRESIDENT RESOLUTION BY DON WHITE, COM JOURNAL CORRESPONDENT)

AGAIN, THE WATER TREATMENT PLANT WAS BASED ON PUBLIC VALUE FOR OUR FRIENDS AND NEIGHBORS. THE PRESENT PLANT IS ADEQUATE FOR CITY NEEDS AS 80% OF THE WATER PRODUCED GOES OUTSIDE THE CITY . THIS HIGH TECHNOLOGY WATER PLANT WILL DOUBLE CAPACITY ALLOWING US TO HAVE NEW JOBS, GROWTH, AND PROSPERITY FOR THE NEXT 25 YEARS.

PUBLIC EDUCATION IS VITALLY NEEDED TO INFORM EVERY CITIZEN ABOUT HOW JOBS ARE CREATED AND SERVICES PROVIDED IN OUR COMMUNITY. THIS WILL RESULT IN BETTER COMMUNICATION AND DISCUSSION ON THE MERITS OF ANNEXATION BY CITIES OR WORKING TOGETHER FOR A PUBLIC VALUE.

FOR EXAMPLE, ONE PERSON IN THE OAK HILL AREA SAID THEY OBJECTED TO BEING PART OF THE CITY BECAUSE THEY WERE SATISFIED WITH COUNTY WATER. WHEN INFORMED THAT THERE IS NOT SUCH THING AS COUNTY WATER, AND UNLESS THEY LIVED IN BURNSIDE OR SOMERSET, ALL OF THE WATER IS PROVIDED BY SOMERSET OR BURNSIDE, THE TALD THEN TURNED TO WORKING TOGETHER TO REDUCE THE COST AND PROVIDE JOBS AND SERVICES.

WITHOUT THE CONSTRUCTION OF THE NEW PLANT, I NEEDED TO EXTEND NOT ONLY THE MORATORIUM ON NEW SUBDIVISIONS BUT WOULD BAN ANY ADDITIONAL SALES OUTSIDE THE COUNTY. NEW JOBS WOULD NOT BE CREATED; NEW HOUSING NOT BUILT; AND THE ECONOMIC IMPACT WOULD BE DEVASTATING FOR GENERATIONS AFFECTING YOU, YOUR CHILDREN AND OTHERS.

THAT WAS THE REALITY FACING CITY COUNCIL AND THE MAYOR.

SOME PEOPLE HAVE ACTUALLY STATED THAT THEY WOULD PREFER NOT TO HAVE JOBS OR THEIR CHILDREN JOBS IF IT MEANT BEING A PART OF A WONDERFUL CITY LIKE SOMERSET. THE SAME TYPE OF DISCUSSION TAKES PLACE DAILY IN DOING THE CITIZENS BUSINESS IN SOMERSET BECAUSE QUESTIONS ARE ALSO ASKED OF WHY IS IT THE CITY'S RESPONSIBILITY TO PROVIDE SERVICES OUTSIDE THE CITY AND TAKE ON DEBT OR WHY SHOULD 11,000 TAKE CARE OF 66,000. THE CITY OF SOMERSET ALLOWS THE COUNTY TO USE OVER 2 MILLION NET DOLLARS IN OCCUPATIONAL TAX REVENUE THAT COULD BE PART OF SOMERSET. THE SOMERSET CITY COUNCIL AND MAYOR HAS SO FAR, DETERMINED THROUGH MANY DISCUSSIONS THAT THE PUBLIC VALUE CURRENTLY OUTWEIGTS THE LEGAL RIGHTS OF THE CITY.

ABOUT A YEAR OF DISCUSSION NEEDED TO TAKE PLACE WITH THREE MUNICIPALITIES AND TWO WATER DISTRICTS/ASSOCIATIONS. THOSE CITY GOVERNMENTS AND LOCAL WATER GROUPS ALSO SHOWED TRUE LEADERSHIP BY REACHING NEW AGREEMENTS TO SHARE IN THE COST OF THE MASSIVE WATER PLANT. WITHOUT THEIR AGREEMENT AND LEADERSHIP, THE PLANT WOULD NOT BE UNDER CONSTRUCTION. THEY PUT THEIR PUBLIC VALUE SYSTEM INTO PRACTICE. YOU CAN BE PROUD OF THE SOMERSET CITY COUNCIL, CITY STAFF, US RURAL DEVELOPMENT, EUBANK, SCIENCE HILL, SOUTHEASTERN AND WESTERN WATER, AND INDIRECTLY FERGUSON

FOR REALIZING THAT A PUBLIC VALUE SYSTEM MUST GUIDE DECISIONS THAT AFFECT OTHERS.

ANOTHER STRATEGY WAS TO CHANGE THE OPERATION OF OUR NATURAL GAS SYSTEM INTO A WORLD CLASS OPERATION THAT WOULD BUILD UPON EXCELLENT LEADERSHIP IN THE PAST. ALL OF THE PREVIOUS MAYORS OF SOMERSET HAVE CONTRIBUTED TO OUR SUCCESS AND FINANCIAL POSITION.

OVER 5,000 JOBS ARE NOW DIRECTLY LINKED TO OUR NATURAL GAS PIPELINE FROM HYDEN TO RUSSELL COUNTY. THE VALUE OF YOUR PIPELINE IS OVER 100 MILLION DOLLARS. FROM RUSSELL SPRINGS, LIBERTY, LONDON, MANCHESTER, AND HYDEN, PEOPLE HAVE JOBS AND HEAT THEIR HOMES BECAUSE OF OUR PIPELINE. THE PEOPLE OF THOSE CITIES AND COUNTIES ARE ALSO PARTICIPATING IN PUBLIC VALUES BY ALLOWING THEIR RESOURCES TO BE USED FOR ALL IN SOUTHEASTERN KENTUCKY. AS MAYOR, I THANK THE PEOPLE FOR WANTING TO USE OUR NATURAL GAS SYSTEM.

YOUR CITY STAFF, WORKING WITH ENGINEERS FROM UNIVERSITY OF CHICAGO, MARYLAND, AND TEXAS, DESIGNED A PROTOTYPE NATURAL GAS PROCESSING FACILITY LOCATED ON THE PULASKI/LAUREL COUNTY LINE THAT IS PROCESSING LIQUIDS OUT OF NATURAL GAS THAT NOW SELLS FOR 80% OF THE PRICE OF CRUDE OIL. THE OPERATION STARTED IN 2011 AND HAS BEEN AN AMAZING FINANCIAL SUCCESS.

JUST THINK - ENERGY RELATED LIQUIDS THAT WERE VIRTUALLY GIVEN AWAY TWO YEARS AGO IS NOW BRINGING \$80 A BARRELL. THIS NEW PROCESS INVOLVES NEW JOBS IN PROCESSING, MUST BE PICKED UP BY TRANSPORT TRUCKS, TAKEN TO ANOTHER TYPE OF PROCESSING PLANT IN TENNESSEE AND SHIPPED BY RAIL TO THE GULF COAST AND TO

CUSTOMERS THROUGHOUT THE WORLD. THIS ALL CREATES OR RETAINS JOBS, HELPS SAVE THE ENVIRONMENT, AND COULD MAKE US TOTALLY INDEPENDENT FROM FOREIGN OIL WITH THE PROPER PUBLIC PRIORITIES AND INVESTMENT BY THE PRIVATE SECTOR

OUR PIPELINE HAS THE CAPABILITY OF JOINING THREE INTERSTATE PIPELINE SYSTEMS THAT FLOWS FROM THE GULF TO CANADA. WE HAD SESSIONS WITH ONE OF THE LARGEST NATURAL GAS TRANSMISSION COMPANIES IN HOUSTON TX AND PLANNING ON INSTALLING HIGH TECH AND COMPUTER BASED NATURAL GAS OPERATIONS AT OUR PROPOSED ENERGY CENTER. SOMERSET CAN BECOME ONE OF THE REGIONAL US LEADERS IN ENERGY AND THAT IS OUR GOAL.

THE EMERGING NEW MARKET AND PRODUCTION OF NATURAL GAS WILL PROVIDE AT LEAST 2,000 NEW HIGH PAYING JOBS IN THIS AREA OF KY AND SURROUNDING STATES. WE ESTIMATE THAT OVER 10,000 NEW JOBS WILL BE CREATED IN NEXT FIVE YEARS IN THE FOUR STATE AREA INCLUDING KY AND SOUTH CENTRAL KY AS MANUFACTURING JOBS ARE MOVED FROM FOREIGN COUNTRIES BACK TO THE US.

WE DO SUPPORT FRIENDS OF COAL AND THAT INDUSTRY. WE BELIEVE THAT NATURAL GAS CAN BE ALTERNATIVE WHERE FEASIBLE AND AS JOBS DECLINE IN THE COAL FIELDS, JOBS IN THE NEW ENERGY FIELD WILL ALLOW THEM TO CONTINUE TO HAVE HIGH PAYING JOBS IN THE AREA. WE PAY AN AVERAGE OF 35,000 PER JOB BUT ONE COMPRESSOR TECHNICIAN JUST LAST WEEK WENT TO WORK IN THE PRIVATE SECTOR FOR 75,000 DOLLARS.

ACCORDING TO THE COMMONWEALTH JOURNAL, ANNEXATION WAS THE MAJOR TOPIC FOR 2011 AND WILL BE A MAJOR TOPIC IN 2012. WITHOUT ANNEXATION IN SOME FORM, ECONOMIC

GROWTH AND GOOD PAYING JOBS WILL BE LIMITED AND SOMERSET MAY BE FORCED, BECAUSE OF STATE LAW, TO RESTRICT ANY ADDITIONAL SERVICES FOR NEW PLANTS OR BUSINESS. SOMERSET IS IN THE SAME FINANCIAL REGULATIONS AS FERGUSON, EUBANK, BURNSIDE OR SCIENCE HILL. NO MATTER WHAT CASH OR OTHER ASSETS WE HAVE, STATE LAW LIMITS CITIES UNDER 15,000 TO NO MORE THAN 5% OF ASSESSED VALUE FOR ISSUANCE OF GENERAL OBLIGATION BONDS OR 45 MILLION DOLLARS IN SOMERSET CASE. IF WE GET OVER 15,000, THAT GOES TO 10% OR 90 MILLION DOLLARS.

THE COUNTY COULD ISSUE PROBABLY 750 MILLION DOLLARS IN GENERAL OBLIGATION BONDS TO DO PROJECTS BUT THEIR PRIORITY IS TO BE DEBT FREE AND LET THE CITY CARRY THE BURDEN. THAT SYSTEM CANNOT BE A PART OF OUR FUTURE BECAUSE OF ENERGY, JOBS, AND PUBLIC SERVICES.

I WOULD LIKE TO EXPRESS APPRECIATION TO MAYOR RON JONES OF BURNSIDE AND THE BURNSIDE CITY COUNCIL FOR THEIR ACTION IN BRINGING THIS ISSUE TO PUBLIC DEBATE. THEY UTILIZED THEIR PUBLIC VALUE SYSTEM AND MADE DECISIONS THAT GROWTH THROUGH ANNEXATION WAS BENEFICIAL TO THE COMMUNITY AND HAVE DONE A GOOD JOB. IN 2011, SOMERSET, BURNSIDE, FERGUSON, AND SCIENCE HILL ALL SOUGHT SOME TYPE OF ANNEXATION PRIMARILY INITIATED BY THE ACTIONS OF BURNSIDE. SOMERSET CITY COUNCIL AND I, AS MAYOR, HAVE BEEN DISCUSSING ANNEXATION FOR OVER 4 YEARS WITH DISCUSSION ON HOW MUCH ANNEXATION WOULD BE NEEDED. BURNSIDE JUST HELPED US MAKE UP OUR DECISION QUICKER.

MAYOR DICK OF SCIENCE HILL AND MAYOR DOBBS OF FERGUSON AND THE CITY HAVE MET RECENTLY TO DETERMINE IF COMMON GROUND WAS AVAILABLE. IT WAS. BURNSIDE HAS COME ALONG 27 AND WE BOTH WANT TO THE SAME THING – SERVE OUR COMMUNITY IN THE BEST WAY POSSIBLE.

IN 2012, AS IN 2011, IT WILL BE A BRIGHTER DAY IN SOMERSET.

IN 2012, WE WILL PROPOSE A CITY RESOLUTION PROCLAIMING FEBRUARY, 2012 AS BILL MARDIS MONTH IN RECOGNITION OF HIS JOURNALIST ABILITY AND CONTRIBUTIONS TO MAKING EVERY DAY A BRIGHTER DAY FOR ALL READERS WITH HIS TALENT AND WISDOM. (THANKS TO DON WHITE, CJ CORRESPONDENT FOR THIS SUGGESTION)

NO INCREASE IN NATURAL GAS RATES FOR 2012 NOR IN 2013 AND BEYOND.

NO INCREASE IN OTHER UTILITY RATES FOR CITY CUSTOMERS.

PASSING CITY ORDINANCE BANNING ALL SMOKING IN PUBLIC PLACES IN SOMERSET.

IN 2012, PULASKI COUNTY AND SOMERSET NEED TO BE CONCERNED ABOUT REDISTRICTING OF OUR STATE SENATE AND STATE REPRESENTATIVE AREAS. SENATOR MCHAHA FROM RUSSELL COUNTY IS RETIRING. PULASKI COUNTY POPULATION OF 65,000 IS GROWING BUT OUR REPRESENTATION IN FRANKFORT HAS BEEN SPLIT. RUMOR HAS IT THAT PULASKI COUNTY MAY BE PUT IN SENATOR WILLIAMS AREA AND THAT TERM MAY NOT BE UP FOR TWO YEARS. PULASKI COUNTY IS SPLIT INTO, I THINK 5 REPRESENTATIVE DISTRICTS. SOMERSET/PULASKI COUNTY IS BY FAR THE LARGEST EMPLOYER, GROWTH AREA, AND THE FUTURE OF ECONOMIC GROWTH LIES IN RUSSELL, CASEY, PULASKI, LAUREL, CLAY, AND LESLIE COUNTIES. WE CANNOT AFFORD NOT TO BE INVOLVED IN SEEING THAT PULASKI COUNTY BE REPRESENTED TO THE FULLEST IN FRANKFORT.

CITY OF SOMERSET HAS REACHED TENTATIVE AGREEMENT WITH THE LARGEST SUPPLIER OF NATURAL GAS TO SOMERSET FOR THE MOST ADVANCED NATURAL GAS PROCESSING PLANT EVER BUILT IN KENTUCKY THAT WILL BE ON OUR PIPELINE AND BE LOCATED IN EAST KENTUCKY. HUNDREDS OF NEW JOBS WILL BE CREATED AND PRIVATE INVESTMENT WILL PAY FOR MOST OF THE COST. INITIAL INVESTMENT WILL BE BETWEEN FIVE AND SEVEN MILLION DOLLARS AND ASSURE SOMERSET A FLOW OF LOW COST NATURAL GAS FOR THE NEXT TEN YEARS. THIS WILL BE A TREMENDOUS ASSET AS WE MARKET OUR PRODUCT IN THE CREATION OF NEW JOBS. THIS WILL BE SUBJECT TO CITY COUNCIL APPROVAL AND THE BOARD OF DIRECTORS OF THE LARGE COMPANY.

NEW 8 MILLION DOLLAR INVESTMENT IN SOMERSET ENERGY AND MUNICIPAL SERVICES BUILDING. THIS ENERGY CENTER, SUBJECT TO APPROVAL BY CITY COUNCIL AND US DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT WILL HOUSE THE MOST TECHNICAL AND ADVANCED ENERGY MONITORING SYSTEM IN THE NATION, CONDUCT RESEARCH AND DEVELOPMENT WITH UNIVERSITY PARTNERS ON THE UTILIZATION OF NATURAL GAS AND BYPRODUCTS FOR ENERGY INDEPENDENCE USING REGIONAL RESOURCES, AND THROUGH PARTNERSHIPS WITH SOMERSET SCHOOL SYSTEM AND OTHER EDUCATIONAL SYSTEM, TRAIN STUDENTS AND THOSE NEEDING GOOD PAYING JOBS TECHNICAL SKILLS IN THE ENERGY FIELD.

NEW 4 MILLION DOLLAR INVESTMENT IN EMERGENCY MEDICAL SERVICES CENTER THAT MAY BE A JOINT VENTURE BETWEEN THE CITY AND COUNTY. THE COUNTY JUDGE, MAGISTRATES, AND THE CITY HAVE BEEN DISCUSSING SHARING IN THE COST OF THE PROJECT. THE PROJECT WILL BE UNDER CONSTRUCTION IN 2012.

REPLACEMENT OF THE OLD SEWER SYSTEM IN THE MIDDLE OF SOMERSET THAT HELPS PROVIDE WASTEWATER SYSTEM TO 461 INDUSTRIAL PARK. CONSTRUCTION OF THE 3 MILLION PROJECT IS SCHEDULED TO BEGIN JUNE 2012. THE CITY IS PROVIDING \$1.2 MILLION OF THE PROJECT.

STREETSCAPE IMPROVEMENTS ON NORTH MAIN STREET STARTING AT CARNEGIE CENTER, PASS FIRST BAPTIST CHURCH, AND ENDING AT DAIRY QUEEN. ALL UTILITIES WILL BE RELOCATED AND ALL POLES TAKEN OUT. OAK STREET WILL BE DONE AFTER REDESIGN. CITY IS PROVIDING 1 MILLION DOLLARS OF LOCAL FUNDS TO COMPLETE THE WORK.

THERE DOES NOT APPEAR ANY COAL FIRED ELECTRICAL GENERATION PLANTS WILL BE BUILT IN THE NEAR FUTURE. EAST KY POWER AND OTHERS ARE LOOKING AT NATURAL GAS FIRED PLANTS AND SUPPLEMENTING EXISTING POWER PLANTS WITH NATURAL GAS. WE HAVE STARTED ANOTHER MAJOR STUDY AND ENGINEERING ANALYSIS TO EXPAND OUR EXISTING LINES TO ACCOMMODATE UP TO FIVE TIMES CURRENT CAPACITY. WE WOULD GO FROM 7 MILLION DECATHERMS A YEAR TO 35 MILLION .

EVENTS IN CALIFORNIA AND PENN ARE SHAPING OUR FUTURE. WE OPERATE A HIGH PRESSURE SYSTEM THAT CAN GO AS HIGH AS 1,200 POUNDS PER SQUARE INCH. KENTUCKY PUBLIC SERVICE COMMISSION AND THE FEDERAL REGULATORY ENERGY COMMISSION ARE MAKING CERTAIN THAT THE LINES LIKE SOMERSET OPERATE ARE SAFE NEAR SCHOOLS, HOSPITALS, AND ANYPLACE THAT MORE THAN 100 PERSONS GATHER. IN 2012, THE CITY WILL SPEND HUNDREDS OF THOUSANDS OF DOLLARS IN MEETING THOSE SAFETY CONCERNS. TOTAL REPLACEMENT COST OF THE LINES WILL BE AT LEAST 75 MILLION OVER THE NEXT 10 YEARS.

WE ANTICIPATE THAT OVER 25 MILLION DOLLARS OF NEW INVESTMENT WILL BE STARTED IN 2012 IN ADDITION TO THE 50 MILLION ALREADY INVESTED.

IF THE ENERGY SYSTEM IS UPGRADED TO MAINTAIN LOW ENERGY COST FOR FAMILIES, MAINTAIN EXISTING JOBS AND CREATE 2,000 NEW HIGH PAYING JOBS FROM RUSSELL COUNTY TO LESLIE COUNTY, WE ARE LOOKING AT A TOTAL INVESTMENT OF AT LEAST ANOTHER 50 MILLION DOLLARS. PART OF THIS WILL BE IN PARTNERSHIP WITH THE PRIVATE SECTOR SINCE WE HAVE 20 PRODUCERS EAGER AND NEEDING TO BRING THEIR PRODUCT TO MARKET AND HELP SOLVE OUR ENERGY PROBLEM. IN THIS PART OF KY, WE ARE NOW IN THE POSITION TO MAKE OUR OWN FUTURE WITH CREATION OF HIGH PAYING JOBS AND TRANSFORM OUR IMAGE ACROSS THE NATION AND WORLD.

AND YES, SOMERSET HAS EVEN LOOKED IN DETAIL AT THE EXTREMELY HIGH RETAIL GASOLINE ISSUE IN SOMERSET. AS REPORTED IN THE CJ WEB PAGE, PRICES IN SOMERSET ARE STILL 20—30 CENTS HIGHER THAN ANY OTHER LOCATION. OVER THE HOLIDAY SEASON, IT APPEARED TO ME THAT MILLIONS OF CARS WERE IN GATLINBURG/PIGEON FORGE AND THE RETAIL OWNERS COULD HAVE CHARGED 5 DOLLARS A GALLON AND MADE A FORTUNE. THEY DIDN'T. THE COST WAS FROM \$3.03 TO \$3.09. THERE IS NO ECONOMIC REASON OF THE HIGH GAS PRICES IN SOMERSET BASED UPON OUR REVIEW. THE CITY IS GOING TO START A TREND OF REDUCING GASOLINE PRICES BY CHANGING THE WAY WE DO BUSINESS. WE CAN SAVE 100,000 DOLLARS ANNUALLY IN OUR BUDGET BY USING OUR OWN SYSTEM HOPEFULLY APPROVED BY US RURAL DEVELOPMENT AND A LOCAL BANK. THIS MAY BE IMPLEMENTED IN THE NEXT 60 DAYS. THE CITY WILL BE A LEADER

IN CONFRONTING ECONOMIC FORCES THAT KEEP OUR GAS PRICES ARTIFICIALLY HIGH. WE MAY BE BEATEN BACK BUT 2012 WILL BE A START IN PROTECTING OUR INVESTMENTS.

YOU MAY HAVE NOTICED IN THE PAPER THAT LEXINGTON AND LOUISVILLE ARE FORMING TO PARTNERSHIP TO, AND GET THIS, FOCUS ON MANUFACTURING JOBS AND ADVANCED MANUFACTURING JOBS. WHAT THIS MEANS IS THAT THE MOVE IS UNDERWAY TO TAKE ADVANTAGE OF NEW MANUFACTURING JOBS RATHER THAN HIGH TECH JOBS. LEXINGTON AND LOUISVILLE WILL NOW BE SERIOUSLY COMPETING FOR EVERY MANUFACTURING JOB THAT WOULD BE COMING TO SOUTH CENTRAL AND SOUTHEASTERN KY. WE CANNOT LET THAT HAPPEN TO OUR HARD WORKING AND DESERVING FAMILIES AND THE 1,000 KIDS GRADUATING EACH YEAR FROM OUR SCHOOLS. EVERY SMALL BUSINESS IN SOMERSET AND THIS AREA WILL DECLINE SHARPLY IN THE FUTURE WITHOUT A NEW APPROACH.

PULASKI COUNTY HAS AN AVERAGE MEDIAN FAMILY INCOME OF \$32,000 COMPARED TO STATE AVERAGE OF 41,200; MADISON CO OF 41,300; HARDIN OF 43,400; BOYLE CO OF 42,700; FAYETTE OF 53,264; JESSAMINE CO 46,100; MERCER OF 43,000. WHAT WOULD OUR CITIZENS AND YOUR CUSTOMERS DO WITH 10,000 MORE ANNUAL INCOME TO SPEND? THE PER CAPITA EXPENDITURE FOR GOODS AND SERVICES IN PULASKI CO IS ALREADY THE HIGHEST IN THE STATE. THERE IS NO ADDITIONAL MONEY LOCALLY THAT CAN BE GENERATED WITHOUT INCREASING THE WAGES AND INCOME OF LOCAL WORKERS.

WE KEEP TALKING ABOUT BEING IN AN INTERNATIONAL OR GLOBAL ECONOMY, BUT NOT A SINGLE CHANGE HAS BEEN MADE LOCALLY TO REFLECT THE NEW REALITY. IF WE TRULY BELIEVE THAT OUR ECONOMY IS GLOBAL, THEN LET US WORK TOGETHER TO BE GLOBAL IN PURPOSE AND BETTER SERVE OUR CITIZEN. I SAW A LOCAL, HARD WORKING SKILLED

MECHANIC CASH HIS CHECK AT A LOCAL BANK AND TOOK HOME \$295 FOR THAT WEEK.
ANTHER LADY CASHED HER SOCIAL SECURITY CHECK FOR \$495 FOR THE MONTH.
YOU CANNOT LOOK UPON THOSE SITUATIONS AND NOT FEEL COMPASSION AND EMPATHY
FOR THE LOW WAGES AND LACK OF ADEQUATE MEDIAN FAMILY INCOME. YOU CANNOT
BE ELECTED OR APPOINTED TO A PUBLIC POSITION AND NOT BE CONCERNED ABOUT INCREASING
THE MEDIAN FAMILY INCOME OF EVERY FAMILY OR GIVE THEM THAT OPPORTUNITY. MY GOAL
IS TO INCREASE THE MEDIAN FAMILY INCOME BY NOT LESS THAN 25% OVER THE NEXT 5 YEARS.

NOT ONLY IS THIS PRESENTATION A STATE OF THE CITY ADDRESS, BUT ALL OF THE MASS OF
INFORMATION IS PROVIDED TO INDICATE THAT THE CITY OF SOMERSET HAS A HUGE OPERATION
WITH MANY MAJOR PARTS THAT AFFECT EVERY PERSONS LIFE IN SOMERSET/PULASKI COUNTY.
AND IS EXTREMELY COMPLICATED FOR A CITY. THE COUNTY IS UNDER DIFFERENT RULES AND
CANNOT NORMALLY DO WHAT CITIES ARE CAPABLE OF DOING.

THAT IS THE REASON THAT WE WILL INITIATE A NEW ECONOMIC DEVELOPMENT PROCESS IN THE
NEAR FUTURE AND WILL WORK WITH THE COUNTY TO MODIFY THEIR SYSTEM AND KEEP IT
COUNTYWIDE, IF POSSIBLE.

WE WILL LOOK AT MODIFYING OLD CONTRACTS UNDER THE OCCUPATIONAL TAX SYSTEM THAT
HAVE NOT BEEN CHANGED SINCE 1995 AND USELESS FOR THE CITY FUTURE NEEDS. WE STILL FEEL
THAT THE COUNTY SHOULD TAKE THE LEAD BUT THE PRESENT PROCESS DOES NOT ALLOW THE CITY
TO LEVERAGE THOSE DOLLARS FOR BOND PURPOSES SINCE WE ARE A 3RD PARTY. NEW
ORDINANCES ON OTHER MATTERS WILL BE INTRODUCED TO ESTABLISH THE BEST FRAMEWORK
THAT WILL BE REQUIRED TO MEET THE DEMANDS OF OUR CITIZENS FOR HIGH PAYING JOBS AND
GROWTH OPPORTUNTIES FOR BUSINESS WITHOUT CHANGING EXISTING STAFF.

THE WORLD, NATION, AND STATE HAVE CHANGED BUT WE HAVE BEEN RELUCTANT TO ADDRESS ISSUES THAT CAN IMPROVE THE MEDIAN FAMILY INCOME AND LIVES OF OUR PEOPLE. DANVILLE HAS DOING IT; CORBIN AND LONDON DOING IT; LOUISVILLE, LEXINGTON, E-TOWN, BOWLING GREEN, RICHMOND ARE ALL BECOMING GLOBAL AND CITIZENS APPROVING ISSUES THAT WILL HELP OUR COMMUNITY FROM AN ECONOMIC VALUE.

I HAVE A SWORN RESPONSIBILITY TO THE VOTERS OF SOMERSET TO MAKE DECISIONS THAT HELP OUR CITY MELLOWED BY THE PUBLIC VALUE THAT WAS MENTIONED. WE KNOW WHAT WE HAVE TO DO TO ACTUALLY BE A GLOBAL OR INTERNATIONAL PLAYER CREATING THOUSANDS OF NEW JOBS AND REDUCING PROPERTY TAXES AND COST OF SERVICES TO OUR CITIZENS. WE WILL BE WILLING TO COMPROMISE ON ANY ISSUE BUT CHANGES WILL BE MADE IN THE NEAR FUTURE BECAUSE WE HAVE NO CHOICE.

OVER THE NEXT TWO OR THREE YEARS, SOMERSET/PULASKI COUNTY AND SOUTHCENTRAL KY CAN SHINE AND BRING GREATER PROSPERITY TO ALL OF OUR HARD WORKING FAMILIES AND YOUNG ADULTS LOOKING FOR CAREERS. THE CHOICE BELONGS TO THE PEOPLE AND YOU CAN PROVIDE THE LEADERSHIP AND GUIDANCE TO SHOW THE WAY TO A BRIGHTER DAY IN SOMERSET.