

ALLOCATION OF DEBT SERVICE AGREEMENT

THIS ALLOCATION OF DEBT SERVICE AGREEMENT, dated for reference purposes this 1 st day of June, 2010, (the "Agreement") between the Charter Township of Georgetown, a Michigan Charter Township a, whose address is 1515 Baldwin, Jenison, Michigan 49429 ("Georgetown"), the City of Hudsonville, a Michigan Municipal Corporation, whose address is 3275 Central Boulevard, Hudsonville, Michigan 49426 ("Hudsonville"), the Charter Township of Jamestown, a Michigan Charter Township, whose address is 2380 Riley Street, Jamestown, Michigan 49427 ("Jamestown"), and the County of Ottawa, a body corporate created under the provisions of the Michigan Constitution, acting by and through its Board of County Road Commissioners, whose address is P.O. Box 739, Grand Haven, Michigan, (the "County"). This Agreement is made with reference to the following facts and circumstances:

A. Georgetown, Hudsonville, Jamestown (collectively referred to as the "Municipalities") and the County have previously entered into an Agreement with the City of Grandville ("Grandville") entitled "City of Grandville – Ottawa County Sewage Disposal System Agreement, dated February 20, 1968, with a first amendment dated May 22, 1989, a second amendment dated September 10, 2001, and a third amendment dated May 29, 2008, (referred to collectively as the "Sewage Disposal Agreement") pertaining to the Municipalities use of the Grandville wastewater treatment plant ; and

B. The Municipalities and the County have entered (or will enter) into an Agreement entitled the "2010 Sewage Disposal System Improvements Contract" pertaining to the construction and financing of the expansion of the existing Grandville wastewater treatment plant that will benefit the Municipalities in accordance with the plans and specifications prepared

by Moore and Bruggink, dated March 15, 2010 (the "Project"), which Contract is dated April 1, 2010 (referred to as the "Bond Contract"); and

C. The Bond Contract authorizes the issuance of bonds pursuant to Act 342 of the Public Acts of Michigan of 1939, as amended ("Act 342"), in an amount not to exceed \$21,000,000.00 (the "Bonds");

D. Section 4 of the Bond Contract provides that the cost of the Project will be paid by the Municipalities, and that the principal and interest payments on the Bonds will be allocated among the Municipalities according to an allocation set forth therein and in Exhibit C attached thereto, which allocation is based on (i) projected sewer flows from the Municipalities in approximately 2027 corresponding to the 5.6 million gallons per day capacity to be realized by the Project and assigned to the Municipalities, and (ii) the expected capacity needs of each of the Municipalities; and

E. While the allocations in Section 4 of and Exhibit C to the Bond Contract represent each Municipality's share of investment in the Project and are the debt service responsibility of each Municipality in the event revenues received by the County from the Municipalities from sewer users in each Municipality are insufficient to pay the principal of and interest on the Bonds due in any fiscal year (July 1 to June 30), it is the intent of the Municipalities and County to generate revenues adequate to pay the principal of and interest on the Bonds when due through a Sewer Plant Connection Charge and a Sewer Plant Debt Commodity Rate as set forth in this Agreement.

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows.

**Section 1. Sewer Plant Connection Charge.** The Municipalities shall establish a connection fee for each new user that connects to each Municipality's sanitary sewer system.

The connection fee shall be uniform among the Municipalities based on the Residential Equivalent Unit (REU) Table attached hereto as Exhibit A. The connection fee shall initially be set at \$1,800 per REU, and may be adjusted from time to time as recommended by the County and as unanimously approved by the Municipalities. All of the connection fees collected by the Municipalities pursuant to this Section 1 shall be reported to the County at the end of the fiscal year (July 1 to June 30) and paid to the County when invoiced by the County for payment.

The County shall apply the connection fees received pursuant to this Section 1, regardless of the Municipality from which they are collected, toward the principal and interest payments due on the Bonds. The County shall apply the connection fees received in a given fiscal year (July 1 to June 30) to the principal and interest payments due in the following fiscal year. For example, connection fees collected by the Municipalities during the period of July 1, 2012 through June 30, 2013 received by the County will be applied toward principal and interest payments due on the Bonds on November 1, 2013 and May 1, 2014. The connection fees received will not be allocated to the respective Municipality from which they are collected, nor will the connection fees be allocated in the percentages set forth in Section 4 of and Exhibit C to the Bond Contract.

**Section 2. Sewer Plant Debt Commodity Rate.** The Municipalities agree to establish a Sewer Plant Debt Commodity Rate as provided in this Section 2. The County will compute a Sewer Plant Debt Commodity Rate to be uniformly charged to all users within the Municipalities. In calculating the rate to be set by the County for each fiscal year (July 1 to June 30), the County shall estimate the rate based on the principal and interest payments that are due the following fiscal year, less the estimated connection fee revenue collected. The Sewer Plant Debt Commodity Rate will be added to the Sewage Rate (as defined in the Sewage Disposal Agreement) billed by Grandville to the County as provided in the Sewage Disposal Agreement.

**Section 3.** **Record Keeping and Accounting.** On an annual basis (July 1 to June 30), the County shall prepare a computation of the estimated revenue to be collected from the Sewer Plant Connection Charge established pursuant to Section 1 hereof and the Sewer Plant Debt Commodity Rate to be charged pursuant to this Section 2 required to meet principal and interest payments on the Bonds during such annual period. In addition, the County shall prepare an annual accounting of the actual revenue received from the Sewer Plant Connection Charge and Sewer Plant Debt Commodity Rate, the amount of principal and interest paid on the Bonds, and any surplus or deficit balance in the given fiscal year of the accounting. In the event that there is a deficit (i.e., the revenue received from the Sewer Plant Connection Charge and Sewer Plant Debt Commodity Rate is insufficient to pay the principal and interest payments due on the Bonds during such fiscal year), the County will bill each Municipality a proportionate (percentage) amount based on the Municipality's respective actual metered sewer flows for such fiscal year. In the event there is a surplus, it shall be utilized as part of the Reserve Fund as provided in Section 4 hereof. See Exhibit B for examples. The County agrees to meet with each Municipality to present and discuss the above annual accounting reports.

**Section 4.** **Reserve Fund.** The Municipalities may agree to establish a Reserve Fund with the County in an amount recommended by the County and approved unanimously by the Municipalities, which shall be used to make up any deficit in principal and interest payments due on the Bonds in a fiscal year. The Reserve Fund shall be funded by one or more of the following methods, based on the unanimous agreement of the Municipalities:

- a. utilization of surplus proceeds of the Bonds, if any and if permitted;
- b. utilization of any surplus revenue received from Sewer Plant Connection Charges and Sewer Plant Debt Commodity Rates, if any, pursuant to Section 3 hereof; and/or

- c. advances paid by the Municipalities in amounts agreed upon unanimously by the Municipalities.

**Section 5. Affect on Other Agreements.** This Agreement shall not be deemed to amend in any way, or revoke either the Sewage Disposal Agreement or the Bond Contract. This Agreement supplements the Bond Contract by explaining how the parties intend to pay the principal of and interest on the Bonds, but in no way seeks to reduce, eliminate or change the parties respective obligations pursuant to the Sewage Disposal Agreement and the Bond Contract. This includes, but is not limited to, each Municipality's pledge pursuant to Section 5a of Act 342, of its full faith and credit, subject to applicable constitutional, statutory and charter tax limitations, for the prompt and timely payment of its obligations as set forth in Section 9 of the Bond Contract.

**Section 6. Term.** This Agreement shall continue for as long as principal of or interest on the Bonds, or the principal of and interest on any refunding bonds used to refund the Bonds, in whole or in part, is still outstanding. The Municipalities may agree to continue this Agreement for future sewer plant improvements or other system capital improvement projects, provided, however, the term of this Agreement shall only be extended by the written agreement of all the parties hereto.

**Section 7. Counterparts.** This Agreement may be executed in any number of counterparts and each such counterpart shall be considered a valid original.

**Section 8. Binding Effect.** The covenants contained herein shall bind and the benefits and advantages shall inure to the respective successors and permitted assigns of the parties hereto.

**Section 9. Law.** This Agreement shall be interpreted in accordance with the laws of the State of Michigan.

**Section 10.** **Captions.** The captions or headings in this Agreement are for convenience only and shall in no way define, limit, or describe the scope or intent of any provision or section of this Agreement.

**Section 11.** **Authorization.** The authorized representative signing this Agreement on behalf of each party represents and warrants that he or she has the full and complete authority to enter into this Agreement on behalf of, and thereby legally bind, such party.

**Section 12.** **Miscellaneous.** This Agreement may not be amended, changed, modified, altered, assigned, or terminated without the prior written consent of all parties hereto. All exhibits attached hereto are hereby incorporated as though fully stated herein. All notices and other documents to be served or transmitted hereunder shall be in writing addressed to the respective parties hereto at the addresses stated in the first paragraph of this Agreement or such other address or addressee as shall be specified by the parties hereto from time to time and may be served or transmitted in person or by first class mail properly addressed with sufficient postage. A waiver by any party hereto of a breach or violation of any provision of this Agreement shall not be a waiver of any subsequent breach of the same or any other provision of this Agreement. If any section or provision of this Agreement is unenforceable for any reason, the unenforceability there shall not impair the remainder of this Agreement, which shall remain in full force and effect, provided the full intent and meaning of this Agreement remains unaffected. This Agreement represents the entire understanding and agreement between the parties hereto with respect to the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement.

Witnesses:

CHARTER TOWNSHIP OF GEORGETOWN

*Dan DeLoach*

By: *D. Dale Mohr*

Its Supervisor

*Sarah Mroz*

By: *Del Fortik*

Its Clerk

Dated: June 30, 2010

CITY OF HUDSONVILLE

*Jennifer Schoet*

By: *Donald Van Doesburg*

Its Mayor

*Dylan Dykema*

By: *Jan Weisum*

Its Clerk

Dated: June 24, 2010

JAMESTOWN CHARTER TOWNSHIP

*Scott Brouwer*

By: *James Miedema*

Its Supervisor

*Bonnie Osterink*

By: *Ruth Pruis*

Its Clerk

Dated: June 22, 2010

OTTAWA COUNTY, acting by and through its  
Board of County Road Commissioners

Alexander VanDer

By: 

Its Chairman

Pamela Plummer

By: 

Its Secretary

Dated: 6-29-10, 2010

Prepared by:  
SCHOLTEN FANT  
Daniel R. Martin (P53532)  
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Grand Haven, Michigan 49417-0454  
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EXHIBIT A

RESIDENTIAL EQUIVALANCE UNIT (REU) DETERMINATION OF THE SEWER PLANT  
CONNECTION CHARGE

All single family residential regardless of meter size		1.00 REU
All duplex regardless of meter size		2.00 REU
All multiple unit residential, condominiums, townhomes, apartments		1.00 REU per living unit
Mobile home parks		1.00 REU per site
All others per meter size:	5/8 inch	1.00 REU
	3/4 inch	1.50 REU
	1 inch	2.50 REU
	1.5 inch	5.00 REU
	2 inch	8.00 REU
	3 inch	17.50 REU
	4 inch	35.00 REU
	6 inch	70.00 REU

For meters larger than 6 inch, REUs will be determined by each community

## EXHIBIT B

### HYPOTHETICAL CALCULATION

- Fiscal Year is the period July 1 to June 30 to correspond to the Grandville Sewer Plant fiscal year for which the sewage rate and audit are applicable.
- Sewer Plant Connection Charge and Sewer Plant Commodity Rate revenue collected in a fiscal year will be applied to the November 1 and May 1 principal and interest payments due on the Bonds in the following fiscal year.
- At the end of each fiscal year, the amount of revenue will be known and, therefore, the amount of any surplus or deficit in relation to the principal and interest payments will be known. Any deficit will be billed to the parties based on the parties' respective metered sewer flow totals for the billed fiscal year. Any surplus will be credited to the communities in a similar manner, or placed in the Reserve Fund.
- Revenue shown as positive value  
Payments shown as (negative) value

EXAMPLE

Year 1 – July 1, 2009 to June 30, 2010

	<u>Sewer Flow (MG)</u>	<u>Debt Rate//MG</u>	<u>Rate Revenue</u>	<u>Connection Charges</u>	<u>Total FY Rate and Connection Charge Revenue</u>
July	99.9	0	0		
Aug	104.1	0	0		
Sept	98.7	0	0		
Oct	106.0	0	0		
Nov	106.0	0	0		
Dec	108.3	0	0		
Jan	104.7	0	0		
Feb	90.7	0	0		
Mar	111.1	0	0		
Apr	118.6	0	0		
May	115.2	0	0		
June	<u>123.3</u>	0	<u>0</u>		
	1266.6		\$0	<u>\$135,000</u>	<u>\$135,000</u>

Debt Account Summary

November 2010 Interest	\$ (387,500)
Capitalized Interest	387,500
May 2011 Interest	(465,000)
Capitalized Interest	465,000
Prior Connection Charges (Footnote a)	131,400
FY 09-10 Connection Charges	135,000
FY 09-10 Rate Revenue	0
Reserve Fund	0
Balance	<u>\$ 266,400</u>

Footnote a: **Prior Connection Charges** were collected by the communities during the period August 1, 2008 to June 30, 2009

EXAMPLE

Year 2 – July 1, 2010 to June 30, 2011

	<u>Sewer Flow (MG)</u>	<u>Debt Rate//MG</u>	<u>Rate Revenue</u>	<u>Connection Charges</u>	<u>Total FY Rate and Connection Charge Revenue</u>
July	107.0	\$380	\$40,660		
Aug	105.5	380	40,090		
Sept	111.1	380	42,218		
Oct	114.9	380	43,662		
Nov	107.0	380	40,660		
Dec	110.3	380	41,914		
Jan	105.6	380	40,128		
Feb	99.2	380	37,696		
Mar	117.5	380	44,650		
Apr	107.2	380	40,736		
May	113.0	380	42,940		
June	<u>119.7</u>	380	<u>45,486</u>		
	1318.0		<u>\$500,840</u>	<u>\$184,000</u>	<u>\$644,840</u>

Debt Account Summary

November 2011 Interest	\$ (465,000)
May 2011 Interest	(465,000)
Prior Connection Charges	266,400
FY 10-11 Connection Charges	184,000
FY Rate Revenue	500,840
Reserve Fund	0
Balance	<u>\$ 21,240</u>

Notes: Parties decide to leave balance in Reserve Fund

EXAMPLE

Year 3 – July 1, 2011 to June 30, 2012

	<u>Sewer Flow (MG)</u>	<u>Debt Rate//MG</u>	<u>Rate Revenue</u>	<u>Connection Charges</u>	<u>Total FY Rate and Connection Charge Revenue</u>
July	109.0	\$600	\$65,400		
Aug	108.0	600	64,800		
Sept	114.0	600	68,400		
Oct	117.0	600	70,200		
Nov	109.0	600	65,400		
Dec	112.0	600	67,200		
Jan	108.0	600	64,800		
Feb	102.0	600	61,200		
Mar	120.0	600	72,000		
Apr	109.0	600	65,400		
May	115.0	600	69,000		
June	<u>121.0</u>	600	<u>72,600</u>		
	1344.0		\$806,400	\$250,000	\$1,056,400

Debt Account Summary

November 2012 Interest	\$ (465,000)
May 2013 Interest	(465,000)
FY 11-12 Connection Charges	250,000
FY Rate Revenue	806,400
Reserve Fund	21,240
Balance	<u>\$ 147,640</u>
Balance Allocation to Reserve Fund	\$ 47,640
Balance Allocation to Credit (Footnote b)	100,000
Georgetown	\$78,890
Hudsonville	\$17,230
Jamestown	\$3,880

Notes: Parties decide to increase Reserve Fund  
Sewer Debt Rate increased to \$600/MG due to prior connection charges being expended.

Footnote b: Credit is based on the parties' respective metered sewer flow totals for the billed fiscal year

EXAMPLE

Year 4 – July 1, 2012 to June 30, 2013

	<u>Sewer Flow (MG)</u>	<u>Debt Rate//MG</u>	<u>Rate Revenue</u>	<u>Connection Charges</u>	<u>Total FY Rate and Connection Charge Revenue</u>
July	101.0	\$600	\$60,600		
Aug	100.0	600	60,000		
Sept	106.0	600	63,600		
Oct	109.0	600	65,400		
Nov	102.0	600	61,200		
Dec	104.0	600	62,400		
Jan	100.0	600	60,000		
Feb	94.0	600	56,400		
Mar	112.0	600	67,200		
Apr	102.0	600	61,200		
May	107.0	600	64,200		
June	<u>113.0</u>	600	<u>67,800</u>		
	1250.0		<u>\$750,000</u>	<u>\$100,000</u>	<u>\$850,400</u>

Debt Account Summary

November 2013 Interest	\$ (465,000)
May 2014 Interest	(465,000)
FY 12-13 Connection Charges	100,000
FY 12-13 Rate Revenue	750,000
Reserve Fund	47,640
Balance	<u>\$ (32,360)</u>

Balance Allocation to Debit (Footnote c)

Georgetown	\$ 25,558
Hudsonville	\$ 5,449
Jamestown	\$ 1,353

Notes: Revenue reflects reduction in sewer flow.  
Connection fee revenue is reduced due to few connection and/or adjustments to previous charges.

Footnote c: Debit is based on the parties' respective metered sewer flow for the billed fiscal year

EXAMPLE

Year 5 – July 1, 2013 to June 30, 2014

	<u>Sewer Flow (MG)</u>	<u>Debt Rate//MG</u>	<u>Rate Revenue</u>	<u>Connection Charges</u>	<u>Total FY Rate and Connection Charge Revenue</u>
July	113.0	\$850	\$96,050		
Aug	112.0	850	95,200		
Sept	118.0	850	100,300		
Oct	121.0	850	102,850		
Nov	114.0	850	96,900		
Dec	116.0	850	98,600		
Jan	112.0	850	95,200		
Feb	106.0	850	90,100		
Mar	124.0	850	105,400		
Apr	114.0	850	96,900		
May	119.0	850	101,150		
June	<u>125.0</u>	850	<u>106,250</u>		
	1394.0		\$1,184,900	\$500,000	\$1,684,900

Debt Account Summary

November 2014 Interest	\$ (465,000)
May 2015 Principal & Interest	(940,000)
FY 13-14 Connection Charges	500,000
FY 13-14 Rate Revenue	1,184,900
Reserve Fund	0
Balance	<u>\$ 279,900</u>
Balance Allocation to Reserve Fund	\$ 50,000
Balance Allocation to Credit (Footnote b)	229,900
Georgetown	\$181,805
Hudsonville	\$37,773
Jamestown	\$10,322

Notes: Sewer Debt Rate increase to \$850/MG to meet start of principal payments.  
Connection fees are substantially increased  
Parties decide to fund Reserve Fund at \$50,000

Footnote b: Credit is based on the parties' respective metered sewer flow totals for the billed fiscal year