CITY OF ALGONAC
SPECIAL ORGANIZATIONAL CITY COUNCIL MEETING
AGENDA
Monday, November 9, 2026
8:00 p.m.

City Council Chambers, 805 St. Clair River Drive
Algonac, MI 48001

1) Call to Order
2) Roll Call
3) Moment of Silent Prayer
4) Pledge of Allegiance
5) Presentations
    a. City of Algonac Organizational Meeting – City Manager Bryson
6) Public Comment
7) New Business
    a. Election of Mayor
    b. Election of Mayor Pro Tem
    c. Adoption of Organizational Rules
8) Council Comment
9) Adjournment

*The Michigan Open Meetings Act provides that persons shall be permitted to address the meeting of a public body under the rules established by the public body.

Any person may address the Council once on any matter during Public Comment. All matters shall be addressed through the Chair and no person shall speak longer than five (5) minutes.

The Chair shall not permit abusive, slanderous, or profane remarks about any person. Nothing herein is intended to limit or restrain negative, positive, or neutral comment about the manner in which an individual, employee, officer, official or council member carries out his or her duties in public office or employment.

At the conclusion of a speaker's remarks, the Manager, Mayor, Council or City staff *may* answer, if deemed necessary. Neither the Manager, Mayor, Council nor City staff shall interrupt or engage in debate with speakers or other members of the public during Public Comment.

This notice is posted in compliance with PA267 of 1976 as amended (Open Meetings Act), MCLA 41.72a (2) (3) and the Americans with Disabilities Act. Individuals with disabilities requiring auxiliary aids or services should contact the City of Algonac City Clerk at P.O. Box 454, Algonac, Michigan 48001 or (810) 794-9361 x6 or cityclerk@cityofalgonac.org.

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City Council

Mayor	Rocky Gillis
Mayor Pro Tem	Dawn Davey
Councilman	Michael Bembas
Councilman	Ed Carter
Councilwoman	Cathy Harris
Councilwoman	Wendy Meldrum
Councilman	Jacob Skarbek

MEMORANDUM

TO: Mayor and City Council
FROM: Artie Bryson, City Manager
DATE: November 3, 2026
RE: Proposed Changes to City Council Organizational Rules – 2026–2028

As we prepare for the November 9 organizational meeting, I have reviewed our existing 2024–2026 Organizational Rules and compared them with the City Charter and current operating procedures.

The existing rules have served the City reasonably well. However, I am recommending some updates to improve efficiency, strengthen accountability, and clarify the responsibilities of Council and Administration.

SUMMARY OF PROPOSED CHANGES

Voting Procedures (Rule 7): Clarify voting requirements, abstentions, and conflicts of interest consistent with the City Charter.

Meeting Minutes and Recordings (Rule 10): Clarify the and update recording retention requirements to comply with applicable state regulations.

Council and Administration Communications (New Rule 15): Clarify that Council establishes policy and provides oversight, while the City Manager is responsible for day-to-day administration and supervision of employees.

RECOMMENDATION

These proposed changes are intended to modernize our procedures, improve transparency, and establish clear expectations for Council members and City staff.

The majority of our existing Organizational Rules would remain unchanged.

I recommend that Council consider these revisions at the November 9 organizational meeting, subject to final review by the City Attorney to ensure consistency with the City Charter and applicable state law.

Artie Bryson
City Manager
City of Algonac

CITY OF ALGONAC

CITY COUNCIL ORGANIZATIONAL RULES

Effective November 9, 2026 through November 13, 2028

RULE I: ORGANIZATION.

The City Council is the governing body of the city and consists of seven members elected from the city at large, one of whom will serve as Mayor. At the first organizational meeting of the City Council, held at 8:00 p.m. on the Monday following each Council election, the meeting shall be called to order by the 1) incumbent Mayor or 2) incumbent Mayor Pro Tem. If a quorum is present a Mayor and Mayor Pro Tem shall be chosen.

At the first Monday meeting of the City Council after each election, the prevailing rules of organization shall be read. They shall be adopted, amended or rewritten by the new Council.

Each councilmember shall be furnished with a copy of the *"Algonac – Clay Water Service Agreement"* at the organizational meeting and the provisions of Section 12 of said Agreement shall be verbally reviewed at the meeting by the City Manager prior to adoption of the proposed Organizational Rules by the City Council.

The Mayor shall act as the presiding officer of the Council. Mayor Pro Tem shall act on behalf of the City in the absence or disability of the Mayor. In the event of absence or disability of both the Mayor and Mayor Pro Tem, the council may designate another of its members to serve as acting Mayor.

The City Clerk shall act as parliamentarian during all regular and special meetings. *"Roberts' Rules of Order, Newly Revised"* shall be considered the official guide of the Council subordinate to the applicable sections of the Code of Ordinances or City Charter.

RULE 2: REGULAR MEETINGS.

The Regular Council meetings for the Algonac City Council shall be held at 6:00 p.m. on the first and third Tuesdays of every month unless otherwise noted and will be held in the Council Chambers of the City of Algonac Administration Building. Regular meetings will be held at least twice per month. However, when the first or third Tuesday of the month is a legal holiday or election day, the regular meeting of the Council shall be held the following day.

RULE 3: SPECIAL MEETINGS.

Special meetings shall be called by the Clerk at the written request of the Mayor or any two members of the Council on at least 24 hours written notice to each member of the Council, served personally or left at the usual place of residence. Except by unanimous consent of all members of the Council, a matter shall not be acted upon at any special meeting unless it has been included in the notice of the meeting. Special meetings shall deal only with the business for which the meeting was called.

RULE 4: MEETINGS OF THE COUNCIL BE PUBLIC.

All regular meetings and special meetings of the Council shall be open to the public.

RULE 5: CITIZEN COMMUNICATION.

A person may address the Council once during Public Comment. The following rules shall apply when addressing the Council:

A. All persons addressing Council must state their full name and address for the record.
B. All comments should be made to the Chair. There will be no discussion or debate with any Council member.
C. A person may be called to order by the Chair or a Council member for failing to address matters related to city business, use of vulgarity, personal attacks on people or institutions, disrupting the meeting or for advancing the speaker's candidacy for public office.
D. A person is allowed five (5) minutes to address the Council. No one can "pass" their five (5) minutes to another person. City Council may waive the time limit by consensus.

E. No one will be allowed to address the City Council a second time prior to each person having had a chance to do so.

F. Generally, no response shall be made by a Council member or Administration until all persons have finished addressing the Council. The Chair shall first request a response from the Administration and then any Council member may comment.

G. A person called to order in violation of these rules shall thereupon take their seat. Every question of order shall be decided by the Chair subject to an appeal by any Council member. If the person is determined to be out of order that person shall not be permitted to continue to speak at that meeting.

RULE 6: ORDER OF BUSINESS.

1. Call to Order
2. Roll Call
3. Moment of Silent Prayer
4. Pledge of Allegiance
5. Approve Agenda
6. Presentations
7. Public Comment
8. City Manager's Report
9. Consent Agenda
   a. Approve Minutes
   b. Departmental Reports
   c. Communications and Notices
   d. Miscellaneous Business
10. Unfinished Business
11. New Business
12. Accounts Payable
13. Items for Next Agenda
14. Council Comments
15. Adjournment

The City Clerk shall see that each member is furnished with an agenda of business for the Council at least three (3) days prior to any regular meeting.

RULE 7: MOTIONS AND VOTING.

There will be no proxy votes. A motion shall be carried by at least four (4) votes of the Council. A motion shall be rescinded by a two-third (2/3) vote (5 votes) of the entire City Council.

Roll-call votes must follow a rotating alphabetical order.

A council member may not vote on a matter involving their own financial interest, other than a common public interest, or a question concerning their own conduct.

On other matters, a member present must vote unless excused by unanimous consent of the remaining members present.

RULE 8: **LEGAL OPINIONS.**
All legal opinions shall be requested by and submitted to the Mayor or City Manager. Opinions will be submitted to all members of the City Council.

RULE 9: **CONTENT OF MINUTES.**
Any comment other than a motion and vote shall be deleted from the minutes and there shall be conformity with City Charter, State Law and "*Roberts Rules of Order, Newly Revised,*" regarding abstaining. The name, address and a short synopsis of the subject matter of all public comments, and a summary of council comments as determined by the City Clerk shall be included in the minutes.

RULE 10: **RECORDINGS.**
~~Audio and visual recordings shall be made of all official city council meetings and said documents shall be kept by the City Clerk. Recordings will be kept until the minutes of that meeting are officially approved.~~

Audio and video recordings of official City Council meetings shall be maintained by the City Clerk in accordance with applicable Michigan records retention schedules. Recordings shall be retained for at least one year following the meeting, or longer when required by law, an applicable records hold, or City policy.

RULE 11: **ADDS TO AGENDA.**
Nothing may be added to the agenda, without unanimous Council approval. All requests to add material shall be made immediately following the Pledge of Allegiance.

RULE 12: **PAYROLL CHANGES.**
Must be approved by the Mayor and the City Manager by signing a Pay Rate Authorization Form before the new rates may be applied. The form shall at a minimum contain the employee's name, old rate of pay, new rate of pay, effective date of change, amount of back pay, and action that granted the change in rate.

RULE 13: **ACCOUNTS PAYABLE.**
Vouchers and supporting detail are to be available for Council inspection on the day the bills are submitted for Council approval.

RULE 14: **REQUEST FOR DOCUMENTS.**
All requests for documents shall be made to the City Clerk. The City Clerk shall provide the documents requested within a reasonable period to all Council Members. If the document is considered a personnel record, such request shall

be made to the City Manager. All Council Members shall be informed of documents viewed by the requesting Council Member.

RULE 15: **Council and Administrative Communications** City Council members shall exercise their administrative oversight through the City Manager, consistent with the City Charter.

Council members may request information regarding City operations but shall not individually direct City employees, assign administrative duties, or interfere with personnel administration unless specifically authorized by Council or permitted by the Charter.

Requests requiring substantial staff time or expenditures shall be coordinated through the City Manager.

CERTIFICATE OF ADOPTION

This is certified to be a complete and accurate revised set of the Organizational Rules of City Council adopted on this 9th day of November 2026.

_____

City Clerk

Per the City of Algonac Organizational Rules, I am supposed to provide Council a copy of the Algonac – Clay Water Service agreement and highlight Sec 12. Where is states that any capital expense over $20,000 has to also have Clay Township Board of Trustees approval.

This agreement expires July 7, 2028.

WATER SERVICE AGREEMENT

This Agreement made this 18th day of July, 1989 between the CITY OF ALGONAC, hereinafter referred to as the "City", and the TOWNSHIP OF CLAY, hereinafter referred to as the "Township",

WITNESSETH:

WHEREAS, the City owns and maintains a facility for the production and distribution of treated water for the benefit of its citizens under the authorities of its Charter and the Laws of the State of Michigan; and

WHEREAS, the Township has installed, owns and maintains a system for the disbtribution of treated water to its inhabitants for their benefit; and

WHEREAS, the City and Township have from time to time entered into agreements governing the Township's purchase of treated water from the City, the installation and maintenance of distribution lines within both the City and Township and for the construction, inspection, maintenance and extension of such distribution and production facilities, the exhibits attached hereto as exhibit "A" (Water Service Agreement dated December 5, 1967); exhibit "B" (Water Service Agreement dated March 1, 1964; exhibit "C" (Water Service Agreement dated April 21, 1947; and exhibit "D" (Memorandum of Understanding dated October 16, 1979 are to be replaced in their entirety by this Agreement and shall be of no further force or effect.

WHEREAS, the parties have determined that the water service agreement due to expire on March 1, 1994 is in need of revision and extension so as to provide for the orderly operation, maintenance, improvement, expansion and planning of their respective water systems,

NOW, THEREFORE, IT IS UNDERSTOOD AND AGREED AS FOLLOWS:

SECTION 1. The City agrees to sell and deliver to the Township, as herein provided, such quantities of treated water as are provided for herein, subject to the terms and conditions of this agreement for a period of twenty-five (25) years from and after the date hereof.

a. Water sold to the Township shall be of wholesome quality in full compliance with the standards of the Michigan Department of Public Health.

b. The Township shall have the right to purchase, and the City agrees to supply to the Township quantities of water up to 1.2 million gallons per day on the maximum day of consumption in any year as follows:

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1) The City agrees that during the periods in which there is water production available for sale to the Township in excess of the amount set out herein it will furnish additional amounts of water to the extent available, with the understanding that such additional service shall not vest in the Township any permanent purchase rights thereto.

2) At such time as water supplied to the Township exceeds 1.0 million gallons per day on the maximum day of consumption in any year, the parties shall provide for expanded services upon terms as shall be mutually agreeable. It is contemplated that such terms will embrace the principle that net revenues from water rates will pay a proportionate share of the cost of improvements as the respective capacity requirements of the Township bear to the total capacity of the improvements.

3) If the parties cannot reach an agreement, the Township may provide additional facilities outside of this contractural agreement, but in such an event, there shall be an annual minimum charge for water service which shall be computed by applying the then current rate to an annual consumption of current annual average usage gallons, reduced by revenue obtained by the City from any additional customers it may service outside the territorial limits of the City of Algonac. This provision has the agreed purpose of assuring the City of revenues sufficient to meet responsibilities incurred as a result of constructing and maintaining its water supply system in a manner sufficient to satisfy its obligations to the Township under this agreement.

c. The Township shall not sell water purchased from the City to customers, private or public, outside its territorial limits without the express written consent of the City.

SECTION 2. At all points where water is provided to the Township from the City's water supply system, the Township shall install master meters, approved by the City, at the Township's expense.

a. The Township shall pay for all water passing through such meter or meters upon a monthly billing by the City at the rates hereinafter established.

b. The City agrees to keep said meters at all times in proper repair, so that said meters shall correctly measure all water that may pass through them.

c. The City agrees to read the meter or meters monthly and to maintain an accurate record of all readings

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taken from said meters and keep such records available at all times for inspection by the Township.

d. The Township shall have the right to inspect said meter or meters at all times. Should the Township request testing of said meters for accuracy and they are found to be accurate within two percent (2%), then the Township shall pay for the cost of testing. If the meters are found to be inaccurate by more than two percent (2%), the City shall pay the cost of such testing.

SECTION 3. The Township agrees to conform to all standards and specifications established by the City consistent with the regulations of the Michigan Department of Public Health, now in force and as from time to time determined, covering the installation of all water pipes, taps, service connections, fittings, master meters and appurtenances.

SECTION 4. The Township shall have the right to expand and extend its distribution systems as it shall deem appropriate subject to the procedures set out herein and subject to the capacity allocation set out herein. These provisions shall not be interpreted as giving Algonac the right to approve any particular project but is to assure the City of Algonac that plans and specifications are appropriate and in conformance with Section 3 above.

a. After Township's engineer has approved the plans for its water main extension as being in conformance with City's and Township's standards and specifications, Township's engineer shall forward four sets of plans (five sets of plans in the event a developer's project is involved) to City Manager for City's approval.

b. The City shall have thirty (30) days to disapprove in writing the plans and specifications after they have been submitted to the City's Manager, otherwise, the City shall be deemed to have approved said plans and specifications.

c. The City shall notify the Township in writing within the time specified in paragraph (2) above that the City has disapproved the plans and specifications which notification shall set forth and enumerate specific objections which the City has to the plans and specifications.

d. After the plans and specifications are approved by the City, either expressly or by lapse of the thirty (30) day notification period, the City shall forward three sets of plans (four sets of plans if a developer's project is involved) to the Michigan Department of Public Health (MDPH), division of water supply, for its approval.

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e. Upon the plans being approved by the MDPH, it will issue a Construction Permit to the Township with copies to: (a) the City of Algonac, (b) the Township of Clay's engineer, (c) when applicable, the developer's engineer.

f. The Township shall in all instances of water main extension notify the City at least three days in advance of commencement of construction, and provide the City, where possible, its schedule of construction on a weekly basis for the duration of such construction project.

g. The City may conduct on its own behalf as much inspection of the project as it deems necessary, but it shall not interfere with the construction of the project, unless it is clearly in violation of the intent of the approved plans. In that event, the City shall notify the Township's water department or Township Supervisor so that the Township can take corrective measures.

h. The Township shall provide the City with copies of the "as built" plans for its existing water supply system upon execution of this agreement.

SECTION 5. The Township hereby grants to the City flowage rights in all pipes which receive their water supply from the City and which may be used to transmit water outside the limits of the Township subject to Clay Township's ability to service its customers. For the protection of all consumers of water supplied through the Township system, the Township agrees to guard against all forms of contamination and should contamination at any time occur, the area or areas affected shall immediately be shut off and remain so until such condition shall have been abated and the water declared to be again fit for human consumption. The decision of the City, in this regard, shall be final. The City is hereby given the right, at any time deemed by it necessary, to inspect the service equipment within the Township and to do or have done any and all things necessary to protect the quality of the water supply, should the Township fail to make the necessary corrections.

SECTION 6. The City expressly reserves the right to temporarily discontinue the supply of water to any of the water mains or pipe lines of the Township, whenever it shall upon its own determination find it necessary, for purposes of testing, repairing, or replacing water mains, master meters, or other of its facilities or determines that the raw water supply has been contaminated so as to require plant closing, and no claim for damages for such temporary discontinuance shall be made. When a temporary discontinuace of the supply of water is to be made for nonemergency reasons the City shall give Clay Township reasonable notice of its intention to temporarily discontinue said supply.

SECTION 7. It is understood and agreed that the Township will not, under any circumstances, permit water from any other source of supply to mix or mingle with the supply received from the City.

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SECTION 8. In the event the City annexes a part of the area comprising the Township, the City may either continue to furnish water to such annexed area through the Township as provided in this contract, or may furnish water to said area directly, in which event the City shall pay to the Township an amount equivalent to the Township rate for all water provided in the annexed area until such time as all revenue bonds issued by the Township prior to such annexation whereby the revenue of the Township Water Supply System are pledged in payment thereof, are returned in full.

SECTION 9. The price for water supplied by the City to the Township shall be charged at a rate per thousand gallons which shall be determined by the City in accordance with the formula set out herein and based on the assumptions set out herein.

a. In determining the annual rate charges to be paid by the Township for the purchase of water from the City the following assumptions are agreed to by the parties.

1) The water production system is owned and operated by the City of algonac for the benefit of its citizens. Clay Township is a customer of the Algonac Water Department.

2) There is no requirement, legal or equitable, that the rates charged by Algonac to its citizens and the rate charged to Clay Township must be equal or similar as the City has the legislative prerogative to satisfy its water production cost to its customers from any source it deems appropriate.

3) Clay Township is a major and valued customer of the Algonac Water Department and is entitled to be kept fully informed as to operations, financing, expansions and alterations proposed by the Algonac Water Department. The books and records of the department, including but not limited to budgets and audits, shall at all times be available for inspection and/or copying by the township at Township expense.

4) It is fundamental to this agreement that the Township shall pay, in proportion to their usage, at a rate which will fully compensate the City for all cost and expenses associated with the operation and maintenance of the water production facility.

5) It is understood and agreed that payments made by the Township as provided herein shall not be construed as vesting any right, title or interest in the City's water supply system, or in any improvements, enlargements or extensions thereof which have been or may hereafter be constructed.

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b. The rate to be paid by the Township shall be calculated as follows:

The following formula to determine water rates to be charged to Clay Township by the City of Algonac is based upon a "cash needs" approach. Amounts charged to Clay Township must be sufficient to cover its pro rata share of operational and administrative expenses as well as pro rata cash requirements for debt service, plant replacements, normal plant extensions and improvements and payments in lieu of taxes. The intent of this formula and calculation is to assure that the City of Algonac charges Clay Township adequate revenues to cover the Township's share of cash required to efficiently operate and produce water.

1) Definitions

Period - all calculations in this formula are based upon cash requirements for one year periods of time commencing July 1 through June 30 of the following year.

Gallons consumed - the sum of gallons of water sold to the City of Algonac residents plus gallons of water sold to Clay Township based on water metered.

Lost water - the difference between gallons pumped and gallons consumed.

Lost water is to be allocated as follows:

a) 50% of total lost water to the City of Algonac

b) The balance is to be allocated based on the prior years proration of gallons pumped.

Example:

Let X = gallons of lost water

	Algonac	Clay
a) 50% of total lost water	.50X	0
b) Assume prior year proration = 45% Algonac 55% Clay	.45 (.50X)	.55 (.50X)
Proration gallons of lost water	XX	XX

This formula is not intended to be used in the event of unusually large measurable water losses

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due to weather, flooding, water plant breakdowns, or other unexpected losses.

In the event of such losses, the estimated amount of water lost from the occurrence shall be excluded from gallons pumped.

Gallons pumped allocation formula - The "gallons pumped" is defined as total gallons of water metered and pumped by the water plant. The gallons pumped allocation used to distribute certain cash outlayed is derived by adding gallons consumed to the lost water allocation for each respective entity. This total provides total gallons pumped for the City of Algonac and Clay Township. Each entity's gallons pumped is divided by total water pumped to arrive at the allocation percentages.

2) Costs and Expenditures

Costs and expenditures to be allocated between the two entities shall be based upon the City of Algonac's audited financial statements for each fiscal year for the City's Water Fund. Such allocable costs include, but are not limited to the following:

a) Water treatment and supply costs:

Water Plant salaries, wages and fringe benefits (specifically excluding costs attributable to Algonac Meter readers)
Chemicals
Gasoline, tools, supplies
Equipment rental
Utilities
Maintenance and repairs
Engineering fees

b) General and administrative costs relating to Algonac Water Fund:

Payment to General Fund in lieu of property taxes on Water Fund personal and real property as defined on exhibit "B"
Office supplies
Telephone and communication
Insurance and bonds
Dues and subscriptions
Administrative fees charged to Water Fund by General Fund
Professional fees excluding arbitration cost
Miscellaneous

c) Algonac costs and depreciation

Algonac Water Fund costs and expenditures

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relating to the transmission of water to the City's non-Clay Township customers are specifically excluded from allocable costs. Because the formula anticipates reimbursement from Clay Township for its pro rata share of capital outlays and debt service requirements, depreciation charges on fixed assets acquired subsequent to July 1, 1989 are specifically excluded from allocable costs. No depreciation shall be allocated to Clay Township for costs of the water tower erected during the 1987/88 fiscal year.

d) Calculation

All allocable costs and expenditures, as defined above, are to be distributed based upon each party's pro rata share of gallons pumped pursuant to the above allocation formula.

e) Debt Service

Debt Service Requirements (principal and interest) is to be allocated based upon which party it benefits. Debt incurred for the sole benefit of Algonac shall be 100% allocated to the City of Algonac. Debt incurred for the benefit of both the City of Algonac and Clay Township shall be allocated based on gallons pumped pursuant to the above allocation formula.

f) Cash allocation

Cash required for replacements, normal extensions and improvements (capital outlays) not funded through the incurrence of debt, shall be allocated based upon which party it benefits. Capital outlays benefitting Algonac shall be 100% allocated to Algonac. Those incurred for the benefit of both parties shall be allocated based upon gallons pumped pursuant to the above allocation formula.

c. Water rate determination

The above cash outlays allocated to Clay Township are to be totalled. This sum is divided by the actual number of gallons sold to Clay Township. The rate is multiplied by 1,000 to put the rate in cost per 1,000 gallons form.

The application of this rate-making procedure is illustrated on exhibit "A" attached hereto.

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d. The City of Algonac shall develop an annual rate charge and communicate same to the Township as follows:

1) The City of Algonac shall on or before May 1 of each year prepare a budget for the Algonac Water Department's next fiscal year and shall submit said budget to its auditors for the purpose of developing a water rate study in the form attached hereto and incorporated herein as exhibit "A".

2) The City's auditors shall on or before May 15 of each year return said water rate study to the City who shall forthwith, but no later than June 1, furnish both the Water Rate Study and Water Department Budget to the Township for its review.

3) The Township shall pay the City for water furnished beginning in July of each year at the rate established by said Water Rate Study.

4) Should the Township object to the rate as established by said rate study in any year of the contract, they shall so notify the City on or before July 1 and specify their objections in writing. The parties, together with their respective auditors, shall meet on or before July 30 in an effort to resolve or compromise their position. Should the parties fail to resolve the rate to be charged at said meeting, they shall name an independent auditing firm familiar with the establishment of utility rates to arbitrate their differences and shall submit a position paper to said arbitrator on or before August 30. Should the parties fail to agree on an arbitrator, they shall petition the Circuit Court of St. Clair County who shall have authority to appoint a neutral arbitrator. The arbitrator's decision shall be binding on the parties and enforceable by the Circuit Court for St. Clair County.

5) In accordance with paragraphs 3 and 4 above, the rates charged and fees paid shall be adjusted to debit or credit the account of the Township within 30 days of agreement or findings of the arbitrator.

6) At the end of each fiscal year the City's auditors shall apply the Water Rate Study formula to the actual water department expenses as disclosed by the annual audit of the City's accounts. The Water Rate Study based on actual expenses together with the City's audit shall be furnished to the Township forthwith upon its receipt. Procedures for negotiation and arbitration of this actual expense rate

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calculation shall be identical to those set out in paragraph 4 above within a similar time frame i.e. 30 days to file objections, 30 days to negotiation meeting and selection of arbitrator, if necessary.

7) It is agreed that the nonprevailing party shall bear all cost of arbitration including costs of the other party which results from their objection to the rate established by the City. These shall include arbitration fees, reasonable attorney fees, expert witness fees and court costs required to enforce the arbitrator's award.

SECTION 11. The parties recognizing the need for the utility to maintain cash reserves for unforeseen contingencies agree to the following procedures for the establishment and maintenance of such a fund.

a. The City and Township shall establish separate segregated accounts within their water departments to which they shall contribute at the end of each fiscal year after final audit. Both the City and Township shall exchange letters confirming the year-end fund balances.

b. Initial contribution shall be over a 3-year period and based on the percentage of water consummed by each entity to a maximum balance of $75,000.00.

c. Contribution to the reserve fund for fiscal 1989/90 shall be $13,750.00 for the Township (55%) and $11,250.00 for the City (45%). Said contribution shall be made at the beginning of the 1989/90 fiscal year by each of the respective parties.

d. Subsequent to the fund reaching its maximum $75,000.00 level, contributions shall be made only to the extent that the fund is below the $75,000.00 maximum figure and further no contribution shall be required in any given fiscal year which exceeds $13,750.00 for the Township and $11,250.00 for the City.

e. The above stated contingency fund shall only be used for the purpose of providing readily available funds for unforeseen contingencies of an emergency nature.

f. The Township shall not have the right to withhold payment as set out in 11-e for any reason. Should they object to the expenditure, the same shall be subject to the arbitration procedures set out in this agreement and adjustments shall be made in accord with the arbitrators' findings.

SECTION 12. It is recognized that the Township as a major customer of the Algonac Water Department has a right to be assured that major capital improvement, replacement and/or expansion

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programs of the department are necessary and desirable. It is, therefore, agreed that:

a. The City of Algonac shall give written notice of any single proposed capital expansion, maintenance, improvement or other capital expense exceeding $20,000.00 to the Township of Clay along with the appropriate documentation outlining the nature of the expansion, maintenance, improvement and/or other captial expense, the necessity for same along with the statement of the costs and proposed funding for said costs. Within 30 days of the receipt of said request for the proposed capital expenditure the Township shall review said proposal and if they have no objection sign a letter of agreement with respect to both the payment and funding of said expenditure.

b. Should the Township object to the proposed capital expenditure they shall notify the City within 30 days and specify their objections in writing. The parties, together with their respective auditors and/or technical personnel, shall meet within 30 days in an effort to resolve or compromise their position. Should the parties fail to resolve the dispute they shall name an independent auditing and/or technical firm familiar with the nature of the proposed capital expenditure to arbitrate their differences and submit a position paper within 30 days of said appointment. Should the parties fail to agree on an arbitrator they shall petition the Circuit Court of St. Clair County who shall have authority to appoint a neutral arbitrator. The arbitrator's decision shall be binding on the parties and enforceable by the Circuit Court of the County of St. Clair.

SECTION 13. Monthly bills for all water supplied hereunder shall be rendered to the Township Clerk and shall be payable on or before the due date shown thereon. There shall be a further charge of five (5%) per cent attaching to and collectible on all bills and charges not paid on or before the due date.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers on the day and year first above written.

Thomas M. Clemons

Alice D. Mase

CITY OF ALGONAC

By: Raymond J. Martin
Mayor

By: Mary L. Jarvis
Clerk

TOWNSHIP OF CLAY

By: Jon E. Manor
Supervisor

By: Theresa S. Malek
Trustee

KANE, CLEMONS
AND JOACHIM
ATTORNEYS AT LAW
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ALGONAC, MICHIGAN
48001
(313) 794-4961

7/5/89

EXHIBIT "A"

CITY OF ALGONAC

****** SAMPLE ******

Water Rate Computation
Year ended June 30, 19X2

	Total expenses	Algonac's retail operation	Clay Township's wholesale purchases	Basis of expense allocation	Contract Reference
Variable costs:					
Production:					
Chemicals	$ 10,825	$	$		
Gas, tools, supplies	4,125				
Equipment rental	200				
Utilities	35,000				
Repairs	22,500				
	72,650	33,753	38,897	(A)	§ 9(b) (2) (a)
Transmission:					
Gas, tools, supplies	9,300				
Equipment rent	8,000				
Repairs	2,000				
Sundry	600				
	19,900	19,900	-	(B)	§ 9(b) (2) (c)
Total variable costs	92,550	53,653	38,897		
Fixed costs:					
Production:					
Salaries, wages and fringes:					
Meter reader	6,500	6,500	-	(B)	§ 9(b) (2) (a)
Other	170,500	79,214	91,286	(A)	§ 9(b) (2) (a)
Engineering fees	2,000	929	1,071	(A)	§ 9(b) (2) (a)
Transmission:					
Salaries, wages and fringes	26,950	26,950	-	(B)	§ 9(b) (2) (c)
General and administrative	65,250	30,315	34,935	(A)	§ 9(b) (2) (b)
Special professional services	2,000	2,000	-	(B)	§ 9(b) (2) (b)
Depreciation:					
On assets acquired prior to 7-1-89	25,678	11,930	13,748	(A)	§ 9(b) (2) (c)
On assets acquired after 7-1-89	5,160	5,160	-	(E)	§ 9(b) (2) (c)
Water Tower	23,030	23,030	-	(D)	§ 9(b) (2) (c)
Reduction in long-term anticipated revenues, equivalent to bond principal paid	10,000	4,646	5,354	(A), (C)	
Interest on debt for assets acquired:					§ 9(b) (2) (e)
Benefiting Algonac and Clay:					
a) Asset financed for both parties by the City of Algonac	20,000	9,292	10,708	(A)	
b) Asset financed by Algonac, Clay paid for its allocated share up front	10,000	10,000	-	-	
c) Asset financed for Clay by the City of Algonac, Algonac paid for its allocated share up front	5,000	-	5,000		
Benefiting Algonac only	22,132	22,132	-	(B)	
Water Tower	19,000	19,000	-	(D)	
Total water fund expenditures	505,750	304,751	200,999		

CITY OF ALGONAC

****** SAMPLE ******

Water Rate Computation
Year ended June 30, 19X2

	Total expenses	Algonac's retail operation	Clay Township's wholesale purchases	Basis of expense allocation	Contract Reference
Total water fund expenditures (from prior page)	505,750	304,751	200,999		
Add:					
Fixed assets acquired after 7-1-89 not financed:					§ 9(b)(2)(E)
Benefiting Algonac and Clay	25,000	11,615	13,385	(A)	
Benefiting Algonac only	50,000	50,000	-	(B)	
Principal debt retirement on fixed assets acquired after 7-1-89:					§ 9(b)(2)(e)
Benefiting Algonac and Clay:					
a) Asset financed for both parties by the City of Algonac	10,000	4,646	5,354	(A)	
b) Asset financed by Algonac, Clay paid for its allocated share up front	5,000	5,000	-	-	
c) Asset financed for Clay by the City of Algonac, Algonac paid for its allocated share up front	3,000	-	3,000	-	
Benefiting Algonac only	10,000	10,000	-	(B)	
Principal debt retirement on Water Tower	8,000	8,000	-	(D)	
Total cash outlays for fixed assets and Debt Retirement	111,000	89,261	21,739		
Total Water Fund Expenditures and Cash Outlays	$616,750	$ 394,012	$ 222,738		

CITY OF ALGONAC

****** SAMPLE ******

Water Rate Computation, continued
Year ended June 30, 19X2

	Total	Algonac's retail operation	Clay Township's wholesale purchases	Basis of expense allocation	Contract Reference
Gallons consumed	301,960,044	132,332,888	169,627,156		§ 9(b)(1)
Gallons pumped	331,665,000	154,085,560	177,579,440		§ 9(b)(1)
Percentage breakdown, gallons pumped	100%	46.46%	53.54%		§ 9(b)(1)

Total Water Fund Expenditures and Cash Outlays	$ 222,738	
Divided by gallons consumed (thousands)	÷169,627.156	
Rate to be charged to Clay Township	1.313	per thousand gallons

(A) Distribution of costs and cash outlay based upon gallons pumped. § 9(b)(2)(d)

(B) Transmission costs and cash outlay benefit Algonac's residents only and are therefore allocated accordingly. § 9(b)(2)(c)

(C) Reduction in long-term anticipated revenues, equivalent to bond principal paid, is charged to operations due to the fact that certain property and equipment purchased prior to 7-1-89 with the proceeds of bond indebtedness was not originally capitalized. Such, "reductions in long-term anticipated revenues," is charged to operations in lieu of depreciation. This charge to operations will continue until related bond principal is paid.

(D) Clay Township has elected to pay for its allocated share of the Water Tower erected during the fiscal 87-88 year up front. As such, no depreciation or principal and interest on debt incurred for the water tower shall be allocated to Clay Township. § 9(b)(2)(c)

(E) Due to the fact Clay Township will pay for its allocated share of fixed assets purchased subsequent to 7-1-89 either directly or through principal payments on assets financed, depreciation on such assets shall not be allocated to Clay. § 9(b)(2)(c)

EXHIBIT "B"

Payment in Lieu of Taxes

For purposes of the water contract, "payment in lieu of taxes" shall be computed as follows:

On an annual basis, the City of Algonac Assessor shall determine the state equalized value of the City of Algonac Water Plant real and personal property, specifically excluding the water tower constructed in 1988-1989. The current millage rate charged for general fund purposes shall be applied to the above state equalized value to compute the payment in lieu of taxes.

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AND JOACHIM
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Exhibit 2

AMENDMENT TO WATER SERVICE AGREEMENT DATED JULY 18, 1989

This Amendment made this 7TH day of MAY, 1991 between the CITY OF ALGONAC, hereinafter referred to as the "City", and the TOWNSHIP OF CLAY, hereinafter referred to as the "Township",

WITNESSETH:

WHEREAS, the City and Township entered into a Water Service Agreement dated July 18, 1989; and

WHEREAS, the parties have determined that clarification is necessary to the wording of Section 9, paragraph 2(c); and

WHEREAS, the parties have ageed to the wording of a substitute paragraph which more clearly sets forth the agreement of the parties, now, therefore,

IT IS UNDERSTOOD AND AGREED that Section 9, paragraph 2(c) is hereby amended to read as follows:

c) Algonac costs and depreciation

Algonac Water Fund costs and expenditures relating to the transmission of water to the City's non-Clay Township customers are specifically excluded from allocable costs. Because the formula anticipates reimbursement from Clay Township for its pro rata share of capital outlays or debt service incurred subsequent to July 1, 1989, depreciation charges on fixed assets acquired subsequent to July 1, 1989 are specifically excluded from allocable costs. Depreciation will be charged on capitalizaed assets acquired prior to July 1, 1989. Debt principal requirements on issues prior to July 1, 1989 are specifically excluded from allocable costs. No depreciation shall be allocated to Clay Township for costs of the water tower erected during the 1987/88 fiscal year.

ALL OTHER terms and conditions of the original agreement referred to herein shall remain in full force and effect.

KANE, CLEMONS AND JOACHIM
ATTORNEYS AT LAW
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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective duly authorized officers on the day and year first above written.

Annie L. Mayfield

Marilyn S. Manning

CITY OF ALGONAC

By: Raymond J. Martin
Raymond J. Martin, Mayor

By: Mary L. Jaros
Mary L. Jaros, Clerk

TOWNSHIP OF CLAY

By: Jon E. Manos
Jon E. Manos, Supervisor

By: Theresa S. Malik
Theresa S. Malik, Clerk

KAMP, CLEMONS AND JOACHIM
ATTORNEYS AT LAW
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Exhibit 3

SECOND AMENDMENT
TO ALGONAC/CLAY WATER SERVICE AGREEMENT

This Amendment made this 7th day of July, 1998 to the Water Service Agreement dated July 18, 1989 and amended May 7, 1991, hereinafter referred to as the "Algonac/Clay Water Agreement":

WITNESSETH:

WHEREAS, the Algonac/Clay Water Agreement provides that the parties may provide for expanded service (page 2, Section 1,b,2) and for capital expansion, maintenance, improvement, or other capital expenses (page 11, Section 12,a);

WHEREAS, the parties have agreed to provide for an expansion, improvement and capital expense project estimated to cost $6,940,000, and have agreed to the allocation of capacity and cost of the project, it is

THEREFORE, AGREED:

1. CAPACITY ALLOCATION.

The total capacity of the Algonac Water System subsequent to completion of the project is estimated to be 2.75 million gallons per day of which the Township of Clay shall be allocated 1.75 million gallons per day, inclusive of production requirements, on the maximum day of consumption in any year requiring that Section 1.b, page 1, be amended to read as follows:

> Section 1.b. The Township shall have the right to purchase, and the City agrees to supply to the Township quantities of water up to 1.75 million gallons per day, inclusive of production requirements, on the maximum day of consumption in any year as follows:

2. PROJECT COST ALLOCATION.

The cost of expansion and renovation of the Algonac Water Supply System is estimated to be $6,940,000. The parties hereby agree:

A. The portion of the cost set out herein required to expand plant capacity is $1,365,611 of which amount 27% ($368,714) shall be paid by the City and of which amount 73% ($996,896) shall be paid by the Township.

NE, CLEMONS
NO JOACHIM
ORNEYS AT LAW
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B. The portion of the cost, set out herein, required to upgrade the plant to present day standards is $5,572,389 of which amount 40.0438% ($2,231,396) shall be paid by the City and of which amount 59.9562% ($3,340,992) shall be paid by the Township.

C. The parties agree that for purpose of bond payments (including principal and interest) and administration the above percentages shall be blended at 37.5% of total cost to the City and 62.5% of total cost to the Township. For this purpose, administration shall include all costs associated with the levy of the bonds and the servicing of those bonds.

D. Should actual cost of the project exceed the $6,940,000 estimated project cost, this agreement shall be modified to reflect any such excess cost in accordance with the formulas set out in subsections A and B of this section.

3. CONTRACT TERM

The parties have determined that the Water Plant subsequent to completion of this project has a useful life of 30 years and hereby agrees to amend Section 1, page 1, to read as follows:

> The City agrees to sell and deliver to the Township, as herein provided, such quantities of treated water as are provided for herein, subject to the terms and conditions of this agreement for a period of thirty (30) years from and after the _____ day of _____, ____.

4. EXCESSIVE USAGE.

Should the Township at any time consume capacity above that allocated, it shall pay to the City one and one half the rate provided for in the agreement, as defined by the sample water rate computation attached thereto, for all such excess usage, except for those instances where excess usage is caused by unusual circumstances such as fire, main break or equipment failure.

5. ADDITIONAL CAPACITY.

Should the Township at any time during the life of this agreement desire to purchase and the City then agree, at its option, to sell capacity over the amount provided the Township agrees that it shall be required to repay the City an appropriate pro rated amount equal to all expenses incurred by the City as its share of the project costs including principal, interest and administrative costs.

WE. CLEMONS
WO JOACHIM
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Should the City at any time during the life of this agreement desire to purchase from the allocated capacity of the Township, and the Township then agree, at its option, to sell a portion of its allocated capacity over the amount provided, the City agrees that it shall be required to repay the Township an appropriate pro rated amount equal to all expenses incurred by the Township as its share of the project costs including principal, interest and administrative costs.

6. OTHER TERMS AND CONDITIONS

A. The parties agree that the terms of this amendment are contingent upon funding assistance through the County of St. Clair, Department of Public Works, pursuant to the terms of Act 185, Public Acts of Michigan, 1957, as amended and agrees to enter into such agreements and to execute such documents as shall be required to complete the funding procedures provided by said act.

B. The Township agrees that all project cost including the cost of engineering, bond sales, and legal fees incurred in the funding process shall be considered a cost of the project and shall share in such cost in the ratios set out herein.

C. All other terms and conditions of the agreement and amendment first referred to herein shall remain in full force and effect.

CITY OF ALGONAC

By: Raymond J. Martin
Raymond J. Martin, Mayor

By: Rose Perricone
Rose Perricone, City Clerk

TOWNSHIP OF CLAY

By: Jon E. Manos
Jon E. Manos, Supervisor

By: Michael P. Pellerito
Michael P. Pellerito, Township Clerk

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ND JOACHIM
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8101 794-3641

SETTLEMENT AGREEMENT

This Settlement Agreement (the "Settlement Agreement") is made effective this 2nd day of May, 2013 (the "Effective Date"), by and between the City of Algonac ("Algonac") and the Township of Clay ("Clay") each of whom are referred herein separately as "Party" and are referred herein collectively as the "Parties."

RECITALS

WHEREAS, the City of Algonac, is a Michigan Municipal Corporation whose principal offices are located at 805 St. Clair River Dr., Algonac, Michigan, 48001, and

WHEREAS, Township of Clay, is a Michigan Municipal Corporation with principal offices located at 4710 Pointe Tremble Road, Clay Township, Michigan, 48001, and

WHEREAS, and the parties have been signatories to a city of Algonac/ Clay Township Water Service Agreement, as amended, and other agreements and resolutions involving issues at the water production facility plant and water storage tanks located within the City of Algonac.

WHEREAS, a controversy amongst the parties arose over Algonac entering into an agreement with an entity known as Utility Service Company, Inc. for a water tank maintenance contract for a 200,000 stand pipe – tank #3 located at 1530 St. Clair River Drive and a 500,000 Pedi sphere water storage tank – St. Clair River Drive tank, located at in the City of Algonac which resulted in litigation amongst the parties here to in a complaint and counter-complaint in the St. Clair County Circuit Court *City of Algonac Plaintiff/Counter-Defendant vs. The Township of Clay Defendant/Counter-Defendant,* Case No: 11-002859-CZ pending before the Honorable Michael A. West in the St. Clair County Circuit Court; and

WHEREAS, the undersigned parties wish to resolve any and all claims, reach a settlement and contingent arbitration alternative in order to avoid further litigation in the court and reach an amicable result, thus the parties agree as follows:

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1) The City of Algonac would terminate its water storage maintenance contracts with Utility Services Company, Inc., at the earliest possible date being July 22, 2013, with required notice on or before April 21, 2013.

2) That the City of Algonac would be solely responsible for all costs incurred through its contracts with Utility Services Company, Inc. executed on or about July 21, 2009 and identified as Exhibits #3 and #4 attached to Algonac's

complaint in the litigation styled above.

3) That the parties agree to the retention of Nelson Tank Engineering Consulting, Inc., 616240 National Parkway, Lansing, MI 48906 to conduct an inspection of the interior renovation work done on the 500,000 gallon Pedisphere water tank, in order to evaluate the work performed by Utilities Services Company, Inc., with the cost being shared equally amongst the parties for said inspection work. Upon the results of said inspection being provided to the parties, the parties here to agree that should unsatisfactory work be determined by said inspection, then the parties will determine whether an additional inspection of the 200,000 stand pipe water storage tank is necessary and seek any and all appropriate remedies including the corrective work to be performed by Utilities Services Company, Inc. at their cost or in the alternative, any other remedies which may be available in order to provide corrective action as to any deficient work as discovered by said inspections. The responsibility and any attendant cost to see that any deficient work performed by Utility Services, Company, Inc. would be the responsibility of the City of Algonac.

4) The parties agree that in lieu of Clay Township participating in the cost of the above referenced water storage maintenance contracts with Utilities Services Company, Inc., the parties have agreed to alternative means by which to establish a cost-sharing allocation by Clay Township with the City of Algonac but only to the extent of the actual market value cost of the work that was necessary to be performed and at "at bid" prices for exterior and interior renovation of the 500,000 pedisphere water tower and for the exterior and interior renovation of the 200,000 stand pipe water storage tank. That agreement would also require Clay Township to share the reasonably related engineering services needed to accomplish the interior and exterior renovations of the two water towers as identified above but would not require Clay Township's sharing of any costs of "annual inspections" and/or fees and costs associated with the Utilities Services Company, Inc. contract which are not directly related to the original exterior and interior renovation as identified herein.

5) The Township of Clay agrees to share its pro-rated cost of inspections every five years as required by industry standards; or, more often as the parties agree; or, as often as may be required by the Michigan Department of Environmental Quality.

6) That the parties agree that the methodology for determining what the fair market value of the cost of the services for the exterior and interior renovation of the 500,000 gallon pedisphere water tower and the exterior and interior renovation of the 200,000 gallon stand pipe water tank and the related engineering services in inspecting that original renovation work would be determined as follows:

a. Each party would have 45 days to submit verifiable data of actual performed work and inspection related engineering services for the exterior and interior renovation of the 500,000 gallon pedisphere water towers as well as the

exterior and interior renovations of 200,000 gallon stand pipe water tanks within the state of Michigan. The data submitted would be from actual contracts that were entered into, pursuant to a multiple bid process, between January 1, 2008 and May 1, 2013.

b. The parties agree that the above-stated data will be submitted to Keith A. Nelson, PE, President of Nelson Tank Engineering Consulting, Inc. ("Nelson") for his review and analysis. Any such data submitted to Nelson by the parties shall also be exchanged by and between the parties so that each party is aware of the other's submissions to Nelson. Nelson may also use additional data of comparable storage tanks within the state of Michigan during the aforesaid time period. To the extent Nelson avails himself of such data not supplied by the parties, he shall share it with the parties before conducting his review and analysis. Before conducting his final review and analysis of all data, the parties and Nelson shall meet at a mutually agreeable time and place to confirm all data to be used in formulating his opinion. If there are more than five (5) actual bid contracts that are considered by Nelson, for either water storage tank, then the high and low contract bid will be stricken from consideration for the applicable water tank. Upon concluding his review and analysis of at data, he will issue an opinion as to what he believes to be the actual bid market value of the work performed by the Utilities Services Company, Inc.'s water maintenance contracts with the City of Algonac as described herein. The cost of this review and analysis will be shared equally by the parties.

c. The opinion by Nelson will be concurrently submitted to the parties. The parties hereby agree to meet in good faith and determine whether or not a resolution can be reached in accordance with the opinion. The parties agree that a resolution shall be based on the average cost of comparable, actual bid work as determined by Nelson. If there are more than five (5) actual bid contracts that are considered by Nelson, for either water storage tank, then the high and low contract bid will be stricken from consideration for the applicable water tank.

d. If the parties cannot agree after good faith negotiations and their review of Nelson's opinion on comparable, actual bid work on which to premise a resolution, than the parties agree to have a comparable, actual bid work determined by private arbitration under the terms and conditions as identified herein below as "Private Arbitration Agreement."

7) The parties agree that if a resolution is reached pursuant to the above stated methodology, and/or pursuant to the following arbitration provisions as described herein, (if necessary), that Clay Townships cost allocation for the work performed pursuant to the renovation of the 500,000 gallon pedisphere water tank and the 200,000 gallon stand pipe water tank would be 62.5%. It is agreed that the cost of future maintenance/renovation of the aforesaid water storage tanks will be calculated, not within any water rate charge to the township, but rather in accordance with the percentage allocation of contribution based upon the

percentage of capacity reserved to the Township.

PRIVATE ARBITRATION AGREEMENT

A. Selection of Arbitrator

The parties agree to the selection of retired Judge John R. Monaghan, as the Arbitrator pursuant to this agreement. The parties agree to share one-half cost of the Arbitrator selected herein.

B. Scope of the Arbitrator's Deliberations

The arbitrator will only decide the issue of what is comparable actual bid market work used for the purposes of reaching a resolution under Paragraph 6c of the Settlement Agreement.

C. Evidence

The parties agree that the data and documents submitted by the parties or by Keith A. Nelson as described in paragraph 6 above shall be the body of data and documents to be considered by the Arbitrator in arriving at his decision. The parties are free to present to the Arbitrator live testimony or by deposition, witnesses to testify as to the significance of the data or documents as described in paragraph 6. Any pre arbitration briefs should be submitted to the Arbitrator and exchanged between the parties one week prior to the scheduled Arbitration.

D. Hearing

The Arbitrator has the power to administer oaths to any witnesses who present oral testimony at the arbitration hearing. Any witness testifying at the hearing may be cross-examined as if the proceedings were occurring in regular court. Rebuttal testimony will be permitted. Deposition testimony may be submitted to the arbitration panel and used in the same manner as if the proceeding were being conducted in regular court. The parties may also present illustrative aids as to the evidence as described in the paragraph above.

The hearing will be held at a location determined by the arbitration panel or agreed upon by the parties and shall be scheduled at a date which is mutually convenient to the panel and to the parties.

E. Decision

The decision of the Arbitrator appointed hereunder is final and binding upon the parties and there is no right to appeal to any court or other forum.

AGREEMENT (continued)

8) The parties agree to the amended language of paragraph 12 of the Algonac/Clay Water Services agreement, as amended, as set forth in Exhibit 1 of this Settlement Agreement.

9) The Parties agree to direct their attorneys to dismiss with prejudice and without costs the litigation styled, *City of Algonac Plaintiff/Counter-Defendant vs. Township of Clay, Defendant/Counter-Plaintiff*, Case No. 11-002859-CZ, pending before the Honorable Michael A. West in the St. Clair County Circuit Court, and direct the Court to retain jurisdiction to enforce the Settlement Agreement.

10) The Parties acknowledge and agree that this Settlement Agreement is a compromise of disputed claims and neither the Settlement Agreement nor any consideration provided pursuant to it shall be taken or construed as admission of concession by any Party.

11) Entire Agreement. The Settlement Agreement constitutes the entire agreement between the parties with respect to the subject matter thereof, and there are no inducements, representations, or understandings that do not appear within the terms and provisions of this Settlement Agreement. This Settlement Agreement and/or other identified documents may be modified only in writing, signed by all Parties and/or their legal representative heirs or successors.

12) The Parties warrant and represent that they have the full authority and are duly authorized and empowered to execute this Settlement Agreement.

13) Severability and Construction. If any provision of this Settlement Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. This Settlement Agreement has been negotiated by the parties and their respective counsel and shall be interpreted fairly, and in accordance with its terms and conditions and without strict construction in favor of, or against either Party.

14) Counterparts. This Settlement Agreement shall be executed by the parties on the Effective Date and may be executed in one or more counterparts, each of which when so executed and delivered shall be deemed an original, but all of which

taken together form but one and the same instrument.

15) Binding Effect. This Settlement Agreement shall be binding on the Parties, their successors in interest, present and future subsidiaries, and assignees or acquirers including any acquirer of all of the assets.

16) Informed Consent. The undersigned hereby represent and warrant that they have read and understand this Settlement Agreement prior to its execution and have had the opportunity to review it with counsel. The undersigned further represent and warrant that they execute this Settlement Agreement freely and voluntarily.

17) Integration clause. The Parties agree this agreement is the full agreement and no other agreements including oral representations are included in this agreement. This agreement may only be modified by written addendum executed by the Parties.

18) Governing Law. This agreement shall be governed by the laws of the State of Michigan.

19) That all the parties hereto agree, to release each other, with the exception as to any future equitable claims, their heirs, successors, predecessors, agents, servants from any and all claims, actions, causes of action, demands, rights, obligations, damages, costs, losses, expenses, compensation of whatever kind and nature, which were presented or asserted in the lawsuit styled, *City of Algonac, Plaintiff/Counter-Defendant vs. Township of Clay, Defendant/Counter-Plaintiff* Case No. 11-002859-CZ pending before the Honorable Michael A. West in the St. Clair County Circuit Court, and hereby agree to the dismissal of said lawsuit with prejudice and without costs to any party. It is the expressed intent of this paragraph, the settlement agreement and the dismissal with prejudice not to have the operative effect, intended by either party, to release or bar either party from asserting any future equitable claims between the parties as to any future dispute arising from any claims as to any agreements or understandings as to the water production facility and/or water storage tanks.

IN WITNESS HEREOF, the Parties have executed this Settlement Agreement to be effective as of the Effective Date.

Irene Bird, Algonac Mayor

Douglas R. Alexander, City Manager

Subscribed and sworn to me this 23 day of April, 2013.

Notary Public for St. Clair County, MI
My Commission Expires: 6-17-14

Art Bryson, Clay Supervisor

Lisa White, Clay Clerk

Subscribed and sworn to me this 2 day of May, 2013.

KATHLEEN A. BOUGHNER
Notary Public, St Clair County, MI
My Commission Expires: March 22, 2015
Acting in the County of St Clair, MI

Notary Public for St Clair County, MI
My Commission Expires: 3-22-15
Acting in St Clair County, Michigan

EXHIBIT 1

Section 12: It is recognized that the Township as a major customer of the Algonac Water Department has a right to be assured that major capital improvement, replacement and/or expansion programs of the department are necessary and desirable. It is therefore agreed that:

a. The City of Algonac shall host bi-monthly meetings at the Water Treatment Plant for the benefit of Clay Township officials. The Algonac City Manager and Water Treatment Plant Superintendent shall regularly attend on behalf of the City. They will offer Clay Township officials updates on the operation of the plant, discuss long-range planning and capital expenditures, provide tours, as necessary, and address any other issue of mutual concern. The purpose of this provision is to ensure that the Township is fully advised of both the day-to-day and long-term operation of the Water Treatment Plant and that the input of Township officials on such matters is both noted and considered by the City.

b. The City of Algonac, in addition to the requirements of Section 12a, shall give written notice of any single proposed, non-emergency, capital expansion, maintenance, improvement, or other capital expense exceeding $20,000.00 to the Township of Clay, along with the appropriate documentation outlining the nature of the expansion, maintenance, improvement and/or other capital expense, the necessity for same along with the statement of costs and proposed funding for said costs. Within 30 days of the receipt of said request for the proposed capital expenditure, the Township shall review said proposal, and if they have no objection, sign a letter of agreement with respect to both the payment and funding of said expenditure.

CARRIED OVER

c. Should the Township object to the proposed capital expenditure, they shall notify the City within 30 days and specify their objections in writing. The parties, together with their respective auditors and/or technical personnel, shall meet within 30 days in an effort to resolve or compromise their position. Should the parties fail to resolve the dispute, they shall name an independent auditing and/or technical firm familiar with the nature of the proposed capital expenditure to arbitrate their differences and submit a position paper within 30 days of said appointment. Should the parties fail to agree on an arbitrator, they shall petition the Circuit Court of St. Clair County, who shall have the authority to appoint a neutral arbitrator. The arbitrator's decision shall be binding on the parties and enforceable by the Circuit Court of the County of St. Clair.

d. Should the City of Algonac fail to abide by the terms of Section 12b, and authorize a non-emergency capital expenditure in excess of $20,000.00 without having secured the Township's letter of agreement; or, should the City of Algonac fail to abide by the terms of Section 12c, and authorize a non-emergency capital expenditure in excess of $20,000.00 having received the Township's duly noted objection and having failed to participate in the

dispute resolution set forth therein, then the City of Algonac shall forfeit its right to seek contribution from the Township for said capital expenditure and will bear the entire cost of said capital expenditure on its own without contribution from the Township.

e. The City of Algonac shall notify the Township in writing within twenty-four (24) hours of an emergency event requiring a capital expenditure in excess of $20,000.00, including the nature of such emergency, and an estimate of the total cost to abate such emergency event. Such an emergency expenditure by the City of Algonac shall not constitute a breach of this Agreement.