

**COST SHARING AGREEMENT REGARDING
MORTON GROVE AND NILES WATER SUPPLY MATTERS**

This **COST SHARING AGREEMENT REGARDING MORTON GROVE AND NILES WATER SUPPLY MATTERS** is made and entered into this 28th day of January, 2017 (the "Effective Date"), by and between the Village of Morton Grove, an Illinois municipal corporation ("Morton Grove") and the Village of Niles, an Illinois municipal corporation ("Niles") (collectively, the "Villages"), (the "Agreement"), for the purpose of allocating and sharing the costs and obligations relating to engineering, finance projections, legal, planning, water system operations and other consultant costs provided to the Villages regarding certain water supply matters involving the Villages. The Villages agree as follows:

RECITALS:

WHEREAS, the Villages have determined that there is a need to jointly cooperate and share the costs of studying, analyzing and negotiating agreements relating to the feasibility of jointly establishing, acquiring, constructing and operating a common source of supply of water and related waterworks system for the purpose of the delivery of potable drinkable water to their respective residents, business owners, property owners, and governmental and institutional properties, as more fully defined in Section 2(A) below, including but not limited to a proposed water supply agreement with one or more Illinois municipalities, the possible creation of a joint action water agency or municipal water commission by and among the Villages, including the actual acquisition, construction and operation of some or all of a common source of supply of water and related joint waterworks system, and other water supply issues related thereto (the "Project"). The Villages are collectively referred to below at times as "MG-N", which describes them acting together or as members of a proposed joint action water agency or a municipal water commission or an entity created by an intergovernmental agreement; and

WHEREAS, Morton Grove and Niles have taken all necessary corporate actions to authorize the Village Administrator of Morton Grove (Ralph Czerwinski, or his successor) and the Village Manager of Niles (Steven Vinezeano, or his successor) (together the "Village Management Staff") to approve and enter into this Agreement on behalf of the Villages. This Agreement is authorized and entered into in accordance with applicable State laws, including Article VII, Section 10 of the 1970 Constitution of the State of Illinois, the Illinois Intergovernmental Cooperation Act (5 ILCS 220/1, *et seq.*) and the Illinois Municipal Code (65 ILCS 5/1, *et seq.*).

NOW, THEREFORE, in consideration of the mutual agreements, obligations and covenants set forth in this Agreement, and upon the further consideration stated in the foregoing Recitals, it is agreed by the Villages as follows:

Section 1. Incorporation. The above Recitals are incorporated by reference into this Section 1.

Section 2. Sharing of Costs and Obligations. The Villages agree to allocate and share the following costs and obligations:

A. Scope of Project.

The Villages shall share the costs of the Project in accordance with the terms of this

Agreement. The Villages shall share in all costs provided for under this Agreement relating to the following categories of water supply matters:

1. The study, analysis, and negotiation of water supply agreements between the Villages and one or more Illinois municipalities;
2. The study and analysis of options, projections and schedules for financing any water system improvements associated with the Project;
3. The study, analysis, negotiation and creation of a joint action water agency or a municipal water commission by and among Morton Grove and Niles, and possibly other Illinois municipalities; and
4. The study, analysis, negotiation and completion of land acquisition, easement, zoning or other land use matters regarding the Project.

The Village Management Staff, in their discretion, may by mutual agreement add additional categories to the scope of the Project, by execution of an addendum to this Agreement.

B. Engineering, Planning and Outside Consultant Project Costs.

The Villages agree to share the engineering, planning and outside consultant costs for the Project, with Morton Grove being responsible for fifty percent (50%) and Niles being responsible for fifty percent (50%), respectively, of the costs of engineering, planning and outside consultant services for the Project, which consist of the categories of costs set forth below (the "Project Costs"):

1. Any water system engineering and design matters;
2. Any water system operational and technical matters;
3. Special legal counsel retained by Morton Grove and Niles, including but not limited to, Klein, Thorpe and Jenkins, Ltd. ("KTJ") and Schain Burney;
4. Consulting firms retained by Morton Grove and Niles, including but not limited to WRB, LLC; and
5. Municipal finance firms retained by Morton Grove and Niles.

The Village Management Staff, in their discretion, may by mutual agreement add additional categories of Project Costs, by execution of an addendum to this Agreement. The Village Management Staff are authorized to execute any such addenda.

C. Payment Schedule for Project Costs.

Each of the Villages agrees to directly pay their respective share of the Project Costs under this Agreement to the vendors issuing invoices to the Villages for the Project Costs, as the Project Costs come due.

D. Reimbursement for Project Costs.

In the event bonds, or other debt, are issued relative to the Project ("Project Bonds"), and so long as the Project Costs are allowable uses of the proceeds of the Project Bonds, Morton Grove and Niles shall each be reimbursed from the proceeds of the Project Bonds for the Project Costs paid by each, respectively. In addition, to the extent some or all of the proceeds of the Project Bonds are not eligible to or sufficient to repay all of the Project Costs, upon creation of a joint action water agency or a municipal water commission or an entity created by intergovernmental agreement and the acquisition, construction and operation of a common source of supply of water and related joint waterworks system, Morton Grove and Niles agree that a portion of the water revenues from such joint waterworks system will be used to repay the Project Costs. If Morton Grove and Niles decide not to pursue the Project to completion, then they agree to share equally (fifty percent (50%) / fifty percent (50%) basis) all of the incurred Project Costs.

Section 3. Project Bonds Issuance and Repayment.

A. Cooperation.

The Villages shall cooperate and use their best efforts to determine whether the Project Bonds should be issued, and if so, investigate, negotiate, draft and consider approval of such agreements, covenants, ordinances, resolutions, and other undertakings as may be necessary or advisable with respect to the Project Bonds.

B. Agreement to Purchase Water From Agreed Upon Supplier(s).

Except for water purchased through emergency water connections for temporary emergency water needs (e.g., active firefighting or temporary restriction imposed by water supplier due to an unforeseen condition or emergency), the Villages agree that they shall purchase their full water requirements for their respective communities from agreed upon water supplier(s) through their joint waterworks system to be operated by the proposed joint action water agency or municipal water commission.

C. Allocation of Joint Water System Costs and Repayment of the Project Bonds.

If the Project Bonds are issued and the joint waterworks system is operational, the Villages shall repay the Project Bonds and Joint Water System Costs as follows, subject to amendment(s) to this Agreement, made in accordance with Section 4(D) below, to make the terms of this Agreement consistent with any later agreement(s) of the Villages regarding the repayment of the Project Bonds:

The total Annual Cost of Water System Operation, the Cost of Water from the Water Supplier and the Annual Repayment Obligation for the Project Bonds, shall be paid by Morton Grove and Niles based on an annually determined "MG-N Cost of Water per 1,000 Gallons" for the joint water system calculated as follows and paid based on actual water consumption through the joint water system:

- a. First, by determining the MG-N Cost of Water per 1,000 gallons for the calendar/fiscal year by dividing the cost components below by the Prior Year MG-N Water Use in 1,000 of gallons (for water usage between November 1 and October 31) and adding the Wholesale Water Rate (annual cost of water per 1,000 gallons from the

water supplier).

- i. System Operating Annual Budget shall mean the annual budget to support MG-N water supply transmission main operation from the water source.
- ii. Annual Debt Service Payment shall mean the annual MG-N payment for debt service.
- iii. MG-N Water Use in 1,000 gallons shall mean the total water received by MG-N from Evanston or any other water supplier through the MG-N joint waterworks system.

b. Second, at the conclusion of the fiscal year (January 1 to December 31) each Village's actual total gallons of water obtained from the joint waterworks system will be determined and a true-up will be calculated based on audited costs with any outstanding balance or surplus of funds calculated as a debt or credit to Morton Grove and Niles based on actual water usage of each Village during the subject fiscal year.

Attached as **Exhibit "A"** to this Agreement are "Example Formulas" relating to the above calculations of this Section 3(C): the MG-N Cost of Water/1,000 Gallons Calculation; and the End of Fiscal Year True-Up Calculation.

As part of the issuance of Project Bonds, the Villages agree to create and fund a capitalized interest account using a portion of the Project Bond proceeds for purposes of paying any preliminary Annual Debt Service Payments that may come due prior to the completion of the Project. To the extent allowable in the authorizing and issuing documents for the Project Bonds, the Villages further agree to provide for the commencement of Annual Debt Service Payments after the completion of the Project so that water revenue from the MG-N joint waterworks system can be used to pay the Debt Service Payments. Each Village agrees to take and receive water in accordance with the Water Supply Agreement entered into with Evanston.

Section 4. General Provisions.

- A. Term.** The term of this Agreement shall commence on its Effective Date and continue until its mutual termination by the Villages, or termination by one or more of the Villages, upon sending written notice of its/their withdrawal from the Agreement.
- B. Termination.** Upon the termination of this Agreement, the Villages shall pay their respective portion of the Project Costs incurred during the term of this Agreement through the date of termination. Termination of this Agreement shall not relieve either Village from its obligation to repay any outstanding Project Bonds.
- C. Notice.** All notices and other communications required or permitted under this Agreement shall be in writing and may be personally delivered, faxed, e-mailed or sent by first class mail, postage prepaid, addressed to the Village Management Staff at their business mailing address and electronic telecommunications contact information. All notices and other communications required or permitted under this Agreement shall be deemed to have been received on the day when personally delivered, faxed, e-mailed or three (3) calendar days after being mailed, as the case may be.

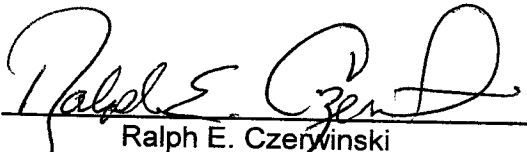
- D. Complete Agreement.** This Agreement contains the entire understanding between the Villages and supersedes any prior understanding or written or oral agreements between them with respect to the subject matter of this Agreement. There are no representations, agreements, arrangements or understandings, oral or written, between and among the Villages relating to the subject matter of this Agreement which are not fully expressed herein. No oral modification, amendment or change shall be allowed to this Agreement. Any modification, amendment or change to this Agreement shall be in writing and approved and executed by the Village Management Staff.
- E. Severability.** If any provision of this Agreement or the application of any such provision to either Village shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement shall not be affected, and each remaining provision of this Agreement shall be considered valid and shall be enforced to the fullest extent permitted by law.
- F. Consent to Waiver of Conflict of Interest.** Before the Effective Date, the Villages have consented to and agreed in writing that KTJ shall act as special legal counsel to, and represent, both the Villages with regard to certain aspects of the Project, and KTJ that shall handle legal matters pertaining to the Project.


IN WITNESS WHEREOF, the Corporate Authorities of the Village of Morton Grove and the Corporate Authorities of the Village of Niles have approved this Agreement and directed that this Agreement be signed on their behalf by their respective Village Management Staff, on the days and year written below. The Effective Date of this Agreement shall be the date the last signatory signs this Agreement, which date shall be entered on page 1 hereof.

SIGNATURE PAGE TO FOLLOW

SIGNATURE PAGE

VILLAGE OF MORTON GROVE

By: 
Ralph E. Czerwinski
Village Administrator

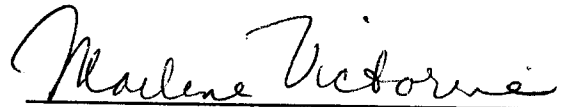

Connie Travis
Village Clerk

Date: January 23, 2017

Date: January 23, 2017

VILLAGE OF NILES

By: 
Steven Vinezeano
Village Manager


Marlene Victorine
Village Clerk

Date: 1/20/17

Date: 1/28/17

Exhibit "A"

"Example Formulas" Relating to Section 3(C) Calculations:

MG-N Cost of Water/1,000 Gallons

and

End of Fiscal Year True-Up Calculation

(attached)

Exhibit 1" to 2017 Cost Sharing Agreement Regarding Morton Grove And Niles Water Supply Matters

$$\text{MG-N Cost of Water/1,000 gallons} = \text{Wholesale Water Rate/1,000 gallons} + \frac{\text{System Operating Annual Budget Prior Year MG-N Water Use in 1,000s of Gallons}}{\text{Annual Debit Service Payment Prior Year MG-N Water Use in 1,000s of Gallons}}$$

$$\text{MG-N Cost of Water/1,000 gallons} = \$0.91/1,000 \text{ gallons} + \frac{\$300,000}{2,555,000} + \frac{\$5,854,630}{2,555,000}$$

$$\text{MG-N Cost of Water/1,000 gallons} = \$0.91/1,000 \text{ gallons} + \$0.11/1,000 \text{ gallons} + \$2.29/1,000 \text{ gallons}$$

$$\underline{\$3.31/1,000 \text{ gallons}} = \$0.91/1,000 \text{ gallons} + \$0.11/1,000 \text{ gallons} + \$2.29/1,000 \text{ gallons}$$

- MG-N Cost of Water/1,000 gallons annual cost of water per 1,000 gallons for formula calendar/fiscal year
- Wholesale Water Rate/1,000 gallons cost of wholesale water from water supplier
- System Operating Annual Budget annual budget to support MG-N water supply transmission main from water source
- Annual Debt Service Payment annual MG-N payment for debt service
- Prior Year MG-N Water Use in 1,000s of Gallons amount determined based on MG-N water consumption between November 1 and October 31 of the prior year to create a full year of consumption calculation

At the end of each fiscal year (January 1 to December 31) any outstanding balance or surplus of funds will be calculated as a debt or credit to Morton Grove and Niles based on actual water usage of the each municipality during the subject fiscal year.

Example - End of Fiscal Year True-up
Fiscal Year ends with a \$10,000 surplus

Anticipated Water Consumption:

Morton Grove 3 Million Gallons/Day 3,000 / 1,000 gallons /Day
Niles 4 Million Gallons/Day 4,000 / 1,000 gallons /Day
MG-N - 7.0 Million Gallons/Day 7,000 / 1,000 gallons /Day 2,555,000 / 1,000 gallons per year

Example actual consumption:

Morton Grove 2.8 Million Gallons/Day 2,800 / 1,000 gallons /Day 1,022,000/1,000 gallons per year = 42.4%
Niles 3.8 Million Gallons/Day 3,800 / 1,000 gallons /Day 1,387,000/1,000 gallons per year = 57.6%

2,800 + 3,800 = 6,600
2,800/6,600 = 42.4%
3,800/6,600 = 57.6%
42.4% of \$10,000 = \$4,240
57.6% of \$10,000 = \$5,760

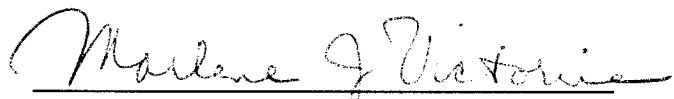
STATE OF ILLINOIS)
)
COUNTY OF COOK) SS

I, **MARLENE J. VICTORINE**, do hereby certify that I am the duly appointed and qualified Village Clerk of the Village of Niles, County of Cook and State of Illinois, and, as such, am the keeper of the records, legal documents and files of said Village.

I DO FURTHER CERTIFY that the attached and foregoing is a true, correct, and complete copy of a legal document duly adopted by the Board of Trustees of the Village of Niles on the 24th day of January, 2017 entitled:

RESOLUTION 2017-04R AUTHORIZING THE APPROVAL AND EXECUTION OF A COST SHARING AGREEMENT REGARDING MORTON GROVE AND NILES WATER SUPPLY MATTERS

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the Village of Niles, this 26th day of January, 2017.


Village Clerk of the Village of Niles
Cook County, State of Illinois

(SEAL)

RESOLUTION 2017-04R

RESOLUTION AUTHORIZING THE APPROVAL AND EXECUTION OF A COST SHARING AGREEMENT REGARDING MORTON GROVE AND NILES WATER SUPPLY MATTERS

WHEREAS, the President and Board of Trustees of the Village of Niles, a home rule Illinois municipal corporation (“Niles”), desire to approve and enter into an agreement entitled “Cost Sharing Agreement Regarding Morton Grove And Niles Water Supply Matters” (the “Agreement”) in substantially the same form as the copy of the Agreement is attached hereto as **Exhibit “A”** and made a part hereof; and

WHEREAS, Morton Grove and the Village of Niles (“Villages”) have determined that there is a need to jointly cooperate and share the costs of studying, analyzing and negotiating agreements relating to the feasibility of jointly establishing, acquiring, constructing and operating a common source of supply of water and related waterworks system for the purpose of the delivery of potable drinkable water to their respective residents, business owners, property owners, and governmental and institutional properties, including but not limited to a proposed water supply agreement with one or more Illinois municipalities, the possible creation of a joint action water agency or municipal water commission by and among the Villages, including the actual acquisition, construction and operation of some or all of a common source of supply of water and related joint waterworks system, and other water supply issues related thereto (the “Proposed Project”); and

WHEREAS, the attached Agreement pertains to the allocation of costs for the Proposed Project between Morton Grove and Niles; and

WHEREAS, the President and Board of Trustees of the Village of Niles have the authority to enter into the Agreement pursuant to Niles’s home rule powers as provided by Article VII, Section 10 of the 1970 Constitution of the State of Illinois, the Illinois Intergovernmental Cooperation Act (5 ILCS 220/1, *et seq.*) and the Illinois Municipal Code (65 ILCS 5/1, *et seq.*), and find that entering into the Agreement is in the best interests of Niles.

NOW, THEREFORE, BE IT RESOLVED by the President and Board of Trustees of the Village of Niles, Illinois, as follows:

SECTION 1: Each Whereas paragraph above is incorporated by reference into this Section 1 and made a part hereof as material and operative provisions of this Resolution.

SECTION 2: The President and Board of Trustees of the Village of Niles authorize the approval of the economic terms and the attached form of an agreement entitled “Cost Sharing Agreement Regarding Morton Grove And Niles Water Supply Matters” for the purposes set forth in the Agreement, attached hereto as **Exhibit “A”**. The President and Board of Trustees of the Village of Niles authorize and direct the Village Manager, or his designee, to execute the final version of the Agreement, which may contain certain non-substantive and non-financial modifications that are approved by the Village Attorney, and to execute and deliver all other instruments and documents and pay all costs that are necessary to fulfill Niles’s obligations under the Agreement.

PASSED: This 24th day of January, 2017
YEAS: 6 Alpigianis, Jekot, LoVerde, Matyas, McCreery, Strzelecki
NAYS: 0
ABSENT: 0
ABSTAIN: 0

APPROVED by me this 24th day of January, 2017.



President of the Village of Niles
Cook County, Illinois

ATTESTED AND FILED in my office this 24th day of January, 2017, and published in pamphlet form as provided by law in the Village of Niles, Illinois.



Village Clerk

Exhibit "A"

**Cost Sharing Agreement Regarding
Morton Grove And Niles Water Supply Matters**

(attached)

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

CLERK'S CERTIFICATE

I, Connie Travis, Clerk of the Village of Morton Grove, in the County of Cook and State of Illinois, certify that the annexed and foregoing is a true and correct copy of that certain Resolution now on file in my Office, entitled:

RESOLUTION 17-02

**A RESOLUTION AUTHORIZING THE APPROVAL AND EXECUTION
OF A COST SHARING AGREEMENT REGARDING MORTON GROVE AND NILES
WATER SUPPLY MATTERS**

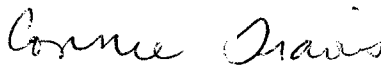
which Resolution was passed by the Board of Trustees of the Village of Morton Grove at a Regular Village Board Meeting on the 23rd day of January 2017, at which meeting a quorum was present, and approved by the President of the Village of Morton Grove on the 23rd day of January 2017.

I further certify the vote on the question of the passage of said Resolution by the Board of Trustees of the Village of Morton Grove was taken by Ayes and Nays and recorded in the Regular Village Board Meeting Minutes of the Board of Trustees of the Village of Morton Grove, and the result of said vote was as follows, to-wit:

AYES: 6
NAYS: 0
ABSENT: 0

I do further certify the original Resolution, of which the foregoing is a true copy, is entrusted to my care for safekeeping, and I am the lawful keeper of the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Village of Morton Grove, this 24th day of January 2017.



Village Clerk

[SEAL]

Legislative Summary

Resolution 17-02

**AUTHORIZING THE APPROVAL AND EXECUTION OF A COST SHARING AGREEMENT
REGARDING MORTON GROVE AND NILES WATER SUPPLY MATTERS**

Introduced: January 23, 2017

Synopsis: This Resolution will authorize an Agreement between the Villages of Niles and Morton Grove to share and allocate professional service costs to study, analyze and negotiate an agreement to purchase water from the City of Evanston and for consulting and engineering services to evaluate water delivery routes and systems and evaluate, identify, and recommend options for the design, finance, and construction of a water delivery system from the City of Evanston to Morton Grove and Niles.

Background: The Villages of Morton Grove and Niles have worked together since 2013 to evaluate alternative suppliers and delivery systems for the purchase of safe reliable Lake Michigan water from a more cost effective source than the City of Chicago. This month the Villages expect to enter into a water supply agreement with the City of Evanston which is estimated to save the Villages over \$200 million dollars during the next 40 years.

To date, the Villages have engaged the services, of engineers, project managers, special legal counsel, financial advisers and other consultants to assist them in this project, and shall continue to need and utilize such professional services until the project is completed. This Resolution will authorize an Agreement whereby each Village shall pay for fifty (50%) percent of the costs for these services until bonds are issued for this project. The Villages shall be reimbursed for costs they have paid/advanced for this project from the bonds. The debt service for the bonds as well as the costs to operate and maintain the Village's joint water systems shall be paid from the sale of water to customers in Niles and Morton Grove with each Village to pay a percentage of these costs based on its actual water consumption, which shall be adjusted annually.

Departs Affected: Legal, Administration, and Finance Departments

Fiscal Impact: The Village expects to incur approximately \$550,000 in preliminary engineering and professional service fees until bonds are issued.

Source of Funds: Enterprise Fund (to be reimbursed from bond proceeds)

Work Impact: The Village Administrator Finance Director and Corporation Counsel will oversee the implementation of the Agreement.

Admin Recommend: Approval as presented.

First Reading: Not required.

Special Consider or Requirements: None

Respectfully submitted: Ralph E. Czerwinski
Ralph E. Czerwinski, Village Administrator

Prepared by: Teresa Hoffman Linton
Teresa Hoffman Linton, Corporation Counsel

Reviewed by: Ralph E. Czerwinski

Reviewed by: Sam Bull

RESOLUTION 17-02

AUTHORIZING THE APPROVAL AND EXECUTION OF A COST SHARING AGREEMENT REGARDING MORTON GROVE AND NILES WATER SUPPLY MATTERS

WHEREAS, the Village of Morton Grove (Village), located in Cook County, Illinois, is a home rule unit of government under the provisions of Article 7 of the 1970 Constitution of the State of Illinois, can exercise any power and perform any function pertaining to its government affairs, including but not limited to the power to tax and incur debt; and

WHEREAS, the President and Board of Trustees of the Village of Morton Grove, a home rule Illinois Municipal Corporation (Morton Grove), desire to approve and enter into an agreement entitled "*Cost Sharing Agreement Regarding Morton Grove and Niles Water Supply Matters*" (the Agreement) in substantially the same form as the Agreement attached hereto as Exhibit "A" and made a part hereof; and

WHEREAS, the Agreement pertains to the allocation of costs between Morton Grove and the Village of Niles with respect to the costs of studying, analyzing and negotiating agreements, regarding certain water supply matters involving the Village of Morton Grove and the Village of Niles; and

WHEREAS, The President and Board of Trustees of the Village of Morton Grove have the authority to enter into the Agreement pursuant to Morton Grove's home rule powers as provided by Article VII, Section 10 of the 1970 Constitution of the state of Illinois, the Illinois Intergovernmental Cooperation Act (5ILCS 220/1, et seq.) and the Illinois Municipal Code (65ILCS 5/1, et seq.), and find that entering into the Agreement is in the best interests of the Village of Morton Grove.

NOW, THEREFORE, BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF MORTON GROVE, COOK COUNTY, ILLINOIS AS FOLLOWS:

SECTION 1: The Corporate Authorities do hereby incorporate the foregoing WHEREAS clauses into this Resolution as though fully set forth therein thereby making the findings as hereinabove set forth.

SECTION 2: The President and Board of Trustees of the Village of Morton Grove authorize the approval of the economic terms and the attached form of an agreement entitled *Cost Sharing Agreement Regarding Morton Grove and Niles Water Supply Matters* for the purposes set forth in the Agreement, attached hereto as Exhibit A. The President and Board of Trustees of the Village of Morton Grove authorize and direct the Village Administrator, or his designee, to execute the final version of the Agreement, which may contain certain non-substantive and non-financial modifications that are

approved by the Village Attorney, and to execute and deliver all other instruments and documents and pay all costs that are necessary to fulfill Morton Grove's obligations under the Agreement.

SECTION 3: This Resolution shall be in full force and effect upon its passage and approval.

PASSED this 23rd day of January 2017.

Trustee Gear AYE

Trustee Pietron AYE

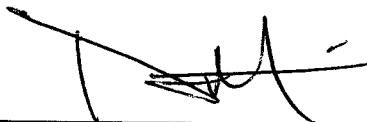
Trustee Minx AYE

Trustee Ramos AYE

Trustee Thill AYE

Trustee Witko AYE

APPROVED by me this 23rd day of January 2017.



Daniel P. DiMaria, Village President
Village of Morton Grove
Cook County, Illinois

APPROVED and FILED in my office
this 24th day of January 2017.



Connie Travis, Village Clerk
Village of Morton Grove
Cook County, Illinois

EXHIBIT "A"

**COST SHARING AGREEMENT REGARDING
MORTON GROVE AND NILES WATER SUPPLY MATTERS**

(attached)

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RECITALS:

WHEREAS, the Villages have determined that there is a need to jointly cooperate and share the costs of studying, analyzing and negotiating agreements relating to the feasibility of jointly establishing, acquiring, constructing and operating a common source of supply of water and related waterworks system for the purpose of the delivery of potable drinkable water to their respective residents, business owners, property owners, and governmental and institutional properties, as more fully defined in Section 2(A) below, including but not limited to a proposed water supply agreement with one or more Illinois municipalities, the possible creation of a joint action water agency or municipal water commission by and among the Villages, including the actual acquisition, construction and operation of some or all of a common source of supply of water and related joint waterworks system, and other water supply issues related thereto (the "Project"). The Villages are collectively referred to below at times as "MG-N", which describes them acting together or as members of a proposed joint action water agency or a municipal water commission or an entity created by an intergovernmental agreement; and

WHEREAS, Morton Grove and Niles have taken all necessary corporate actions to authorize the Village Administrator of Morton Grove (Ralph Czerwinski, or his successor) and the Village Manager of Niles (Steven Vinezeano, or his successor) (together the "Village Management Staff") to approve and enter into this Agreement on behalf of the Villages. This Agreement is authorized and entered into in accordance with applicable State laws, including Article VII, Section 10 of the 1970 Constitution of the State of Illinois, the Illinois Intergovernmental Cooperation Act (5 ILCS 220/1, *et seq.*) and the Illinois Municipal Code (65 ILCS 5/1, *et seq.*).

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Agreement. The Villages shall share in all costs provided for under this Agreement relating to the following categories of water supply matters:

1. The study, analysis, and negotiation of water supply agreements between the Villages and one or more Illinois municipalities;
2. The study and analysis of options, projections and schedules for financing any water system improvements associated with the Project;
3. The study, analysis, negotiation and creation of a joint action water agency or a municipal water commission by and among Morton Grove and Niles, and possibly other Illinois municipalities; and
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The Village Management Staff, in their discretion, may by mutual agreement add additional categories to the scope of the Project, by execution of an addendum to this Agreement.

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The Villages agree to share the engineering, planning and outside consultant costs for the Project, with Morton Grove being responsible for fifty percent (50%) and Niles being responsible for fifty percent (50%), respectively, of the costs of engineering, planning and outside consultant services for the Project, which consist of the categories of costs set forth below (the "Project Costs"):

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2. Any water system operational and technical matters;
3. Special legal counsel retained by Morton Grove and Niles, including but not limited to, Klein, Thorpe and Jenkins, Ltd. ("KTJ") and Schain Burney;
4. Consulting firms retained by Morton Grove and Niles, including but not limited to WRB, LLC; and
5. Municipal finance firms retained by Morton Grove and Niles.

The Village Management Staff, in their discretion, may by mutual agreement add additional categories of Project Costs, by execution of an addendum to this Agreement. The Village Management Staff are authorized to execute any such addenda.

C. Payment Schedule for Project Costs.

Each of the Villages agrees to directly pay their respective share of the Project Costs under this Agreement to the vendors issuing invoices to the Villages for the Project Costs, as the Project Costs come due.

D. Reimbursement for Project Costs.

In the event bonds, or other debt, are issued relative to the Project ("Project Bonds"), and so long as the Project Costs are allowable uses of the proceeds of the Project Bonds, Morton Grove and Niles shall each be reimbursed from the proceeds of the Project Bonds for the Project Costs paid by each, respectively. In addition, to the extent some or all of the proceeds of the Project Bonds are not eligible to or sufficient to repay all of the Project Costs, upon creation of a joint action water agency or a municipal water commission or an entity created by intergovernmental agreement and the acquisition, construction and operation of a common source of supply of water and related joint waterworks system, Morton Grove and Niles agree that a portion of the water revenues from such joint waterworks system will be used to repay the Project Costs. If Morton Grove and Niles decide not to pursue the Project to completion, then they agree to share equally (fifty percent (50%) / fifty percent (50%) basis) all of the incurred Project Costs.

Section 3. Project Bonds Issuance and Repayment.

A. Cooperation.

The Villages shall cooperate and use their best efforts to determine whether the Project Bonds should be issued, and if so, investigate, negotiate, draft and consider approval of such agreements, covenants, ordinances, resolutions, and other undertakings as may be necessary or advisable with respect to the Project Bonds.

B. Agreement to Purchase Water From Agreed Upon Supplier(s).

Except for water purchased through emergency water connections for temporary emergency water needs (e.g., active firefighting or temporary restriction imposed by water supplier due to an unforeseen condition or emergency), the Villages agree that they shall purchase their full water requirements for their respective communities from agreed upon water supplier(s) through their joint waterworks system to be operated by the proposed joint action water agency or municipal water commission.

C. Allocation of Joint Water System Costs and Repayment of the Project Bonds.

If the Project Bonds are issued and the joint waterworks system is operational, the Villages shall repay the Project Bonds and Joint Water System Costs as follows, subject to amendment(s) to this Agreement, made in accordance with Section 4(D) below, to make the terms of this Agreement consistent with any later agreement(s) of the Villages regarding the repayment of the Project Bonds:

The total Annual Cost of Water System Operation, the Cost of Water from the Water Supplier and the Annual Repayment Obligation for the Project Bonds, shall be paid by Morton Grove and Niles based on an annually determined "MG-N Cost of Water per 1,000 Gallons" for the joint water system calculated as follows and paid based on actual water consumption through the joint water system:

a. First, by determining the MG-N Cost of Water per 1,000 gallons for the calendar/fiscal year by dividing the cost components below by the Prior Year MG-N Water Use in 1,000 of gallons (for water usage between November 1 and October 31) and adding the Wholesale Water Rate (annual cost of water per 1,000 gallons from the

water supplier).

- i. System Operating Annual Budget shall mean the annual budget to support MG-N water supply transmission main operation from the water source.
- ii. Annual Debt Service Payment shall mean the annual MG-N payment for debt service.
- iii. MG-N Water Use in 1,000 gallons shall mean the total water received by MG-N from Evanston or any other water supplier through the MG-N joint waterworks system.

b. Second, at the conclusion of the fiscal year (January 1 to December 31) each Village's actual total gallons of water obtained from the joint waterworks system will be determined and a true-up will be calculated based on audited costs with any outstanding balance or surplus of funds calculated as a debt or credit to Morton Grove and Niles based on actual water usage of each Village during the subject fiscal year.

Attached as **Exhibit "A"** to this Agreement are "Example Formulas" relating to the above calculations of this Section 3(C): the MG-N Cost of Water/1,000 Gallons Calculation; and the End of Fiscal Year True-Up Calculation.

As part of the issuance of Project Bonds, the Villages agree to create and fund a capitalized interest account using a portion of the Project Bond proceeds for purposes of paying any preliminary Annual Debt Service Payments that may come due prior to the completion of the Project. To the extent allowable in the authorizing and issuing documents for the Project Bonds, the Villages further agree to provide for the commencement of Annual Debt Service Payments after the completion of the Project so that water revenue from the MG-N joint waterworks system can be used to pay the Debt Service Payments. Each Village agrees to take and receive water in accordance with the Water Supply Agreement entered into with Evanston.

Section 4. General Provisions.

- A. Term.** The term of this Agreement shall commence on its Effective Date and continue until its mutual termination by the Villages, or termination by one or more of the Villages, upon sending written notice of its/their withdrawal from the Agreement.
- B. Termination.** Upon the termination of this Agreement, the Villages shall pay their respective portion of the Project Costs incurred during the term of this Agreement through the date of termination. Termination of this Agreement shall not relieve either Village from its obligation to repay any outstanding Project Bonds.
- C. Notice.** All notices and other communications required or permitted under this Agreement shall be in writing and may be personally delivered, faxed, e-mailed or sent by first class mail, postage prepaid, addressed to the Village Management Staff at their business mailing address and electronic telecommunications contact information. All notices and other communications required or permitted under this Agreement shall be deemed to have been received on the day when personally delivered, faxed, e-mailed or three (3) calendar days after being mailed, as the case may be.

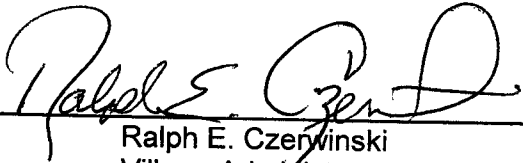
- D. Complete Agreement.** This Agreement contains the entire understanding between the Villages and supersedes any prior understanding or written or oral agreements between them with respect to the subject matter of this Agreement. There are no representations, agreements, arrangements or understandings, oral or written, between and among the Villages relating to the subject matter of this Agreement which are not fully expressed herein. No oral modification, amendment or change shall be allowed to this Agreement. Any modification, amendment or change to this Agreement shall be in writing and approved and executed by the Village Management Staff.
- E. Severability.** If any provision of this Agreement or the application of any such provision to either Village shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement shall not be affected, and each remaining provision of this Agreement shall be considered valid and shall be enforced to the fullest extent permitted by law.
- F. Consent to Waiver of Conflict of Interest.** Before the Effective Date, the Villages have consented to and agreed in writing that KTJ shall act as special legal counsel to, and represent, both the Villages with regard to certain aspects of the Project, and KTJ that shall handle legal matters pertaining to the Project.

IN WITNESS WHEREOF, the Corporate Authorities of the Village of Morton Grove and the Corporate Authorities of the Village of Niles have approved this Agreement and directed that this Agreement be signed on their behalf by their respective Village Management Staff, on the days and year written below. The Effective Date of this Agreement shall be the date the last signatory signs this Agreement, which date shall be entered on page 1 hereof.

SIGNATURE PAGE TO FOLLOW

SIGNATURE PAGE

VILLAGE OF MORTON GROVE

By: 
Ralph E. Czerwinski
Village Administrator

Connie Travis
Connie Travis
Village Clerk

Date: January 23, 2017

Date: January 23, 2017

VILLAGE OF NILES

By: 
Steven Vinezeano
Village Manager

Marlene Victorine
Marlene Victorine
Village Clerk

Date: 1/20/17

Date: 1/28/17

Exhibit "A"

"Example Formulas" Relating to Section 3(C) Calculations:

MG-N Cost of Water/1,000 Gallons

and

End of Fiscal Year True-Up Calculation

(attached)

Exhibit A' to 2017 Cost Sharing Agreement Regarding
Morton Grove And Niles Water Supply Matters

$$\text{MG-N Cost of Water/1,000 gallons} = \text{Wholesale Water Rate/1,000 gallons} + \frac{\text{System Operating Annual Budget Prior Year MG-N Water Use in 1,000s of Gallons}}{\text{Annual Debit Service Payment Prior Year MG-N Water Use in 1,000s of Gallons}}$$

$$\text{MG-N Cost of Water/1,000 gallons} = \$0.91/1,000 \text{ gallons} + \frac{\$300,000}{2,555,000} + \frac{\$5,854,630}{2,555,000}$$

$$\text{MG-N Cost of Water/1,000 gallons} = \$0.91/1,000 \text{ gallons} + \$0.11/1,000 \text{ gallons} + \$2.29/1,000 \text{ gallons}$$

$$\underline{\$3.31/1,000 \text{ gallons}} = \$0.91/1,000 \text{ gallons} + \$0.11/1,000 \text{ gallons} + \$2.29/1,000 \text{ gallons}$$

- MG-N Cost of Water/1,000 gallons annual cost of water per 1,000 gallons for formula calendar/fiscal year
- Wholesale Water Rate/1,000 gallons cost of wholesale water from water supplier
- System Operating Annual Budget annual budget to support MG-N water supply transmission main from water source
- Annual Debt Service Payment annual MG-N payment for debt service
- Prior Year MG-N Water Use in 1,000s of Gallons amount determined based on MG-N water consumption between November 1 and October 31 of the prior year to create a full year of consumption calculation

At the end of each fiscal year (January 1 to December 31) any outstanding balance or surplus of funds will be calculated as a debt or credit to Morton Grove and Niles based on actual water usage of the each municipality during the subject fiscal year.

Example - End of Fiscal Year True-up

Fiscal Year ends with a \$10,000 surplus

Anticipated Water Consumption:

Morton Grove 3 Million Gallons/Day 3,000 / 1,000 gallons /Day

Niles 4 Million Gallons/Day 4,000 / 1,000 gallons /Day

MG-N - 7.0 Million Gallons/Day ... 7,000 / 1,000 gallons /Day 2,555,000 /1,000 gallons per year

Example actual consumption:

Morton Grove 2.8 Million Gallons/Day 2,800 / 1,000 gallons /Day1,022,000/1,000 gallons per year = 42.4%

Niles 3.8 Million Gallons/Day 3,800 / 1,000 gallons /Day1,387,000/1,000 gallons per year = 57.6%

$$2,800 + 3,800 = 6,600$$

$$2,800/6,600 = 42.4\%$$

$$3,800/6,600 = 57.6\%$$