EXECUTED

MEMORANDUM OF UNDERSTANDING

REGARDING THE IMPLEMENTATION OF PARAGRAPH 4 OF THE SURCHARGE DISTRIBUTION AND USE AGREEMENT

This Memorandum of Understanding (the "**MOU**") is made as of February 1, 2017, between the County of Kent, a Michigan municipal corporation the principal business address of which is 300 Monroe Ave NW, Grand Rapids, MI 49504 (the "**County**"), and the Kent County Dispatch Authority, a Michigan public body corporate formed pursuant to the Urban Cooperation Act of 1967, 1967 (Extra Session) PA 7, MCL 124.501 *et seq.*, the principal business address of which is 1155 28th Street, SW, PO Box 905, Wyoming, MI 49509 (the "**KCDA**").

RECITALS

A. On November 8, 2016, County voters approved a $0.70 increase in the monthly surcharge on communication service suppliers' billings to service users within the County for the period beginning July 1, 2017 and continuing through June 30, 2036, to provide dedicated funding for an enhanced 9-1-1 dispatch system including (i) technology upgrades (including communication towers and new equipment for dispatch and existing police, fire, and public safety agencies), and (ii) annual funding for fire dispatch as provided in the County 9-1-1 service plan.

B. The County and KCDA entered a Surcharge Distribution and Use Agreement on December 15, 2016, (the "**Agreement**") to establish the terms and conditions for the distribution and use of 9-1-1 surcharge monies and to address related issues.

C. The Agreement provided for the County to retain surcharge funds to pay annually the next two semi-annual payments of interest and the next annual payment of principal on County bonds issued to fund the acquisition, construction, modification, and installation of antennas, towers, dispatch consoles, radios, and other equipment needed to join and utilize the 800 MHZ Michigan Public Safety Communication System, together with such other amounts as may be required by the terms of the County bonds (the "**Project**") and to establish over a period of five years a debt service reserve equal to a year's annual installments of principal and interest.

D. The County has issued General Obligation Limited Tax Capital Improvement Bonds, Series 2017A, with a par value $21,930,000 and a premium of $3,299,566.65 to finance the Project (the "**County Bonds**"). A copy of the Bond Closing Letter including a debt service schedule, pricing summary, and sources and uses of funds is attached as Exhibit A.

E. The parties wish to confirm their understanding of the implementation of the terms and conditions of the Agreement applicable to how the surcharge will be retained by the County to ensure sufficient funds are set aside to retire the County Bonds.

In exchange for the consideration in and referred to by the Agreement and this MOU, the parties agree as follows:

1. **Surcharge Collection.** The County will collect the entire surcharge levied pursuant to the 9-1-1 Act in accordance with the 9-1-1 Act and with all other applicable state requirements. The surcharge revenues collected will be used and distributed as provided in the Agreement. It is anticipated that the bulk of the surcharge revenues will be paid quarterly with the County receiving the first quarterly payment that includes the additional $0.70 surcharge at the end of October or early November of 2017.

2. **Surcharge Distribution.** The monies collected by the County pursuant to the 9-1-1 Act will be distributed as follows:

A. From the 911 surcharge collected by the County in November 2017 the County shall retain $848,416.67 to pay the interest payment due December 1, 2017, on the County Bonds.

1. From the 911 Surcharge collected in February, May, August and November in the calendar years 2018 through 2022 the County shall retain the following:

a. From the 911 Surcharge collected in February the County shall retain 1/2 of the amount required to pay principal and interest due on the County Bonds on the following June 1 plus 1/4 of 1/5 of $1,733,000.00, an amount needed to pay the final installments of principal and interest on the County Bonds, on December 1, 2036, and June 1, 2037, which is in excess of the average of the annual installments to principal and interest on the County Bonds, to establish a debt service reserve fund ("DSR Fund"). Therefore, for example, on June 1, 2018, the principal and interest payment on the County Bonds is $1,194,050.00. Thus, from the 911 Surcharge collection in February 2018, the County will retain $597,025 (1/2 of the principal and interest payment due on June 1, 2018) plus $86,650 toward the DSR Fund ($1,733,000 x 1/5 x 1/4) for a total of $681,675.

b. From the 911 Surcharge collected in May the County shall retain 1/2 of the amount required to pay principal and interest due on the County Bonds on the following June 1 plus 1/4 of 1/5 of the amount needed to pay the final installments of principal and interest on the County Bonds. Therefore, for example, on June 1, 2018, the principal and interest payment on the County Bonds is $1,194,050.00. Thus, from the 911 Surcharge collection in May 2018, the County will retain $597,025 (1/2 of the principal and interest payment due on June 1, 2018) plus $86,650 toward the DSR Fund ($1,733,000 x 1/5 x 1/4) for a total of $681,675.

c. From the 911 Surcharge collected in August the County shall retain 1/2 of the amount required to pay interest due on the County Bonds on the following December 1 plus 1/4 of 1/5 of the total of the amount needed to pay the final installments of principal and interest on the County Bonds. Therefore, for example, on December 1, 2018, the interest payment on the County Bonds is $498,775.00. Thus, from the 911 Surcharge collection in August 2018, the County will retain $249,387.50 (1/2 of the interest payment due on December 1, 2018) plus $86,650 toward the DSR Fund ($1,733,000 x 1/5 x 1/4) for a total of $336,037.50.

d. From the 911 Surcharge collected in November the County shall retain 1/2 of the amount required to pay interest due on the County Bonds on the following December 1 plus 1/4 of 1/5 of the amount needed to pay the final installments of principal and interest on the County Bonds. Therefore, for example, on December 1, 2018, the interest payment on the County Bonds is $498,775.00. Thus, from the 911 Surcharge collection in November 2018, the County will retain $249,387.50 (1/2 of the interest payment due on December 1, 2018) plus $86,650 toward the DSR Fund ($1,733,000 x 1/5 x 1/4) for a total of $336,037.50.

2. From the 911 Surcharge collected in February, May, August and November in the calendar years 2023 through 2036 the County shall retain the following:

a. From the 911 Surcharge collected in February the County shall retain 1/2 of the amount required to pay principal and interest due on the County Bonds on the following June 1. Therefore, for example, on June 1, 2023, the principal and interest payment on the County Bonds is $1,279,350.00. Thus, from the 911 Surcharge collection in February 2023, the County will retain $639,675.00 (1/2 of the principal and interest payment due on June 1, 2018).

b. From the 911 Surcharge collected in May the County shall retain 1/2 of the amount required to pay principal and interest due on the County Bonds on the following June 1. Therefore, for example, on June 1, 2023, the principal and interest payment on the County Bonds is $1,279,350.00. Thus, from the 911 Surcharge collection in May 2023, the County will retain $639,675.00 (1/2 of the principal and interest payment due on June 1, 2023).

c. From the 911 Surcharge collected in August the County shall retain 1/2 of the amount required to pay interest due on the County Bonds on the following December 1. Therefore, for example, on December 1, 2023, the interest payment on the County Bonds is $413,225.00. Thus, from the 911 Surcharge collection in August 2023, the County will retain $206,612.50 (1/2 of the interest payment due on December 1, 2023).

d. From the 911 Surcharge collected in November the County shall retain 1/2 of the amount required to pay interest due on the County Bonds on the following December 1. Therefore, for example, on December 1, 2023, the interest payment on the County Bonds is $413,225.00. Thus, from the 911 Surcharge collection in November 2023, the County will retain $206,612.50 (1/2 of the interest payment due on December 1, 2023).

3. Any amounts remaining in the DSR Fund, after full repayment of the County Bonds and the payment of any arbitrage rebate due, will be transmitted to KCDA for use as provided in this Agreement.

4. To the extent in any calendar year that the County determines that (i) there are not sufficient funds collected in February and May to pay the next due principal and interest payment on the following June 1, (ii) there are not sufficient funds collected in August and November to pay the next due interest payment on the following December 1 or (iii) there are not sufficient funds to fund the DSR Fund as provided above, the County may, with written notice to KCDA, retain funds from the 911 Surcharge collected in the other calendar months of such calendar year, *i.e.* other than February, May, August and November, to make up any shortfall. If there are insufficient funds collected and retained from the 911 surcharge to make any interest or principal payment on the County Bonds when due, the County may use amounts held in the DSR Fund or other County funds to make the payment on the County Bonds and retain from future 911 Surcharge collections amounts needed to replace those amounts from the DSR Fund or other County fund(s) in addition to the other amounts to be retained pursuant to this provision.

5. In the event the County Bonds are refunded, amounts retained by the County under this MOU will be adjusted to match a new amortization schedule.

B. After retaining the amount provided in subparagraph 4.A of this Agreement, the remaining monies collected by the County pursuant to the 9-1-1 Act will be transmitted to the KCDA and the KCDA shall distribute and use those funds in accordance with a subsequent agreement that shall address the following:

1. From the voter approved $0.70 per month per phone line surcharge increase the KCDA will pay the PSAPs for dispatching firefighting personnel and departments in the County according to a methodology agreed upon by the KCDA and the PSAPs that uses a uniform cost and metric.

2. The surcharge monies resulting from the levy of the surcharge at the rate provided prior to the November 2016 election shall be used, distributed, and expended by the KCDA pursuant to the County's 9-1-1 plan, any applicable agreements, the KCDA's annual budget, and applicable state requirements.

3. **Term.** This MOU shall remain in effect until the County Bonds, including any refunding of the County Bonds, are paid in full or until December 31, 2037, whichever is later.

4. **Miscellaneous.**

A. This MOU may only be amended or modified in a writing which is signed by both the County and the KCDA.

B. The parties both had the advice of legal counsel in entering into this Agreement and both had input into its contents. The captions are for reference only and shall not affect its interpretation. However, the recitals are an integral part of this Agreement.

C. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Neither party may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other party.

D. There are no intended third party beneficiaries to this Agreement.

E. If there is any conflict between this Agreement and any other agreement between the parties, the terms of this Agreement shall control.

The parties have signed this Agreement as of the date first written above.

COUNTY OF KENT

By: James R. Saalfeld
James R. Saalfeld, Chairperson
Board of Commissioners

Date signed: May 21, 2017

Attest:
By: Lisa Posthumus Lyons
Lisa Posthumus Lyons, Clerk

Date signed: 5/24/17, 2017

Approved as to form.

By:
Thomas J. Dempsey, Corporate Counsel

KENT COUNTY DISPATCH AUTHORITY

By: Curtis Holt
Curtis Holt, Chairperson
Administrative Policy Board

Date signed: May 4, 2017

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