

S T A T E O F M I C H I G A N

BOARD OF COMMISSIONERS OF THE COUNTY OF ALLEGAN

RESOLUTION PLEDGING FULL FAITH AND CREDIT TO BAUGHMAN DRAIN DRAINAGE DISTRICT BONDS

WHEREAS, pursuant to a petition filed with the Drain Commissioner of the County of Allegan, State of Michigan (the "Drain Commissioner"), proceedings have been taken under the provisions of Act 40, Public Acts of Michigan, 1956, as amended (the "Act"), for the making of certain intra-county drain improvements referred to as the Baughman Drain Maintenance and Improvement Project (the "Project"), which is being undertaken by the Baughman Drain Drainage District (the "Drainage District") in a Special Assessment District (the "Special Assessment District") established by the Drainage District; and

WHEREAS, the Project is necessary for the protection of the public health, and in order to provide funds to pay the costs of the Project, the Drain Commissioner intends to issue the Drainage District's bonds (the "Bonds"), in one or more series, in an amount not to exceed \$1,930,000 pursuant to the Act; and

WHEREAS, the principal of and interest on the Bonds will be payable from assessments to be made upon public corporations and/or benefited properties in the Special Assessment District; and

WHEREAS, the Allegan County Board of Commissioners (the "Board") may, by resolution adopted by a majority of the members of the Board, pledge the full faith and credit of the County for the prompt payment of the principal of and interest on the Bonds pursuant to Section 276 of the Act; and

WHEREAS, the pledge of the full faith and credit of the County to the Bonds will reduce the cost of financing the Project and will be a benefit to the people of the County.

THEREFORE BE IT IS RESOLVED as follows:

The County pledges its full faith and credit for the prompt payment of the principal of and interest on the Bonds in a par amount not to exceed \$1,930,000. The County shall immediately advance sufficient moneys from County funds, as a first budget obligation, to pay the principal of and interest on any of the Bonds should the Drainage District fail to pay such amounts when due. The County shall, if necessary, levy a tax on all taxable property in the County, to the extent other available funds are insufficient to pay the principal of and interest on the Bonds when due.

Should the County advance County funds pursuant to the pledge made in this Resolution, the amounts shall be repaid to the County

from assessments or reassessments made upon benefited properties in the Special Assessment District as provided in the Act.

The Chairperson of the Board, the County Administrator, the County Clerk, the County Treasurer, County Executive Director of Finance and any other official of the County, or any one or more of them ("Authorized Officers"), are authorized and directed to take all actions necessary or desirable for the issuance of the Bonds and to execute any documents or certificates necessary to complete the issuance of the Bonds, including, but not limited to, any applications including the Michigan Department of Treasury, Application for State Treasurer's Approval to Issue Long-Term Securities, any waivers, certificates, receipts, orders, agreements, instruments, and any certificates relating to federal or state securities laws, rules, or regulations and to participate in the preparation of a preliminary official statement and a final official statement for the Bonds and to sign such documents on behalf of the County and give any approvals necessary therefor.

Any one of the Authorized Officers is hereby authorized to execute a certificate of the County to comply with the continuing disclosure undertaking of the County with respect to the Bonds pursuant to paragraph (b) (5) of SEC Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended, and amendments to such certificate from time to time in accordance with the terms of such certificate (the certificate and any amendments thereto are collectively referred to herein as the "Continuing Disclosure Certificate").

CERTIFICATION

I, Robert Genetski, the duly qualified and acting Clerk of Allegan County, Michigan (the "County") do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Board of Commissioners at a meeting held on _____, 2024, the original of which is on file in my office. Public notice of said meeting was given pursuant to and in compliance with Act 267, Public Acts of Michigan, 1976, as amended.

Date: _____, 2024

Robert Genetski, Clerk
County of Allegan

M E M O R A N D U M

To: Allegan County Board of Commissioners
From: Roger Swets, Dickinson Wright
Re: Resolution Pledging Full Faith and Credit to Baughman Drain Drainage District Bonds
Date: July 23, 2024

A Resolution Pledging Full Faith and Credit to Baughman Drain Drainage District Bonds has been presented to the Board of Commissioners. A key element of financing drain projects in Michigan includes a county board of commissioners adopting a resolution pledging the county's full faith and credit to a drain note or bond. This memo addresses the practical reasons why a pledge of full faith and credit is necessary, and the safeguards that the Michigan Drain Code contains to mitigate the liabilities to counties where full faith and credit is pledged.

WHY IS FULL FAITH AND CREDIT PLEDGED TO PUBLIC DEBT, INCLUDING DRAIN BONDS AND NOTES IN MICHIGAN?

The Baughman Drain Drainage District is a separate legal entity that is under the jurisdiction of the county drain commissioner. Drainage districts do not have employees or assets other than the drain that is under its jurisdiction. Drainage districts do not have taxing power or the power to charge fees for the use of the drain, but are financed solely by the levying of special assessments.

Because the drain projects are financed by special assessments, as opposed to taxes, and drains do not have liquid assets or revenue sources outside of the assessments, drain debt does not receive an investment grade rating from a rating agency and most banks will not acquire drain debt without a full faith and credit pledge of the county.

By a full faith and credit pledge, a county agrees that the county will provide a backup pledge of its full faith and credit as additional security for the payment of a bond or note should the special assessment revenues levied for payment of the bond or note be insufficient at any point to pay the principal of or interest on a bond or note to which full faith and credit is pledged. A county pledges its full faith and credit by a resolution adopted by the county board of commissioners.

This kind of pledge is customary for many kinds of debt in Michigan. Most county debt is secured by a full faith and credit pledge of the county, including general county bonds, building authority bonds or bonds issued through a county board of public works or county agency for local utility projects. Most city, village and township debt also pledges the full faith and credit of the issuer. Most notably, virtually all special assessment debt whether issued by a drainage district or local government requires a full faith and credit pledge in order for the issuer to be able to successfully issue the debt.

If a full faith and credit pledge is not available to a drainage district, the only way for the drainage district to pay for a drain project would be for the drainage district to assess the full cost of the project to the public corporations and benefitted properties in one installment that would be immediately due and payable. This would cause a hardship on the public corporations and benefitted properties.

DRAIN CODE POWERS AND SAFEGUARDS REGARDING PAYMENT OF DRAIN BONDS

A key concern for counties in considering a pledge of full faith and credit is what happens in instances where a county may have to make a payment on drain debt pursuant to its full faith and credit pledge. In considering the risk that there would be insufficient funds to pay drain bonds (which could lead to an advance by a county on its full faith and credit pledge), the Michigan Drain Code and Michigan law in general build in safeguards to protect the vital public interest in being able to finance drain projects:

- 1) The debt service on drain bonds under Chapter 8 of the Drain Code is primarily paid from assessments levied against public corporations and benefitted properties in the drainage district.
 - a) The assessments against benefitted properties are a strong source of revenue since they have the same priority for payment as taxes, having a first priority superior to mortgages and other forms of debt that might encumber a property.
 - b) If a property owner is delinquent in paying the property owner's assessment the assessment is turned over to the county to be collected with the delinquent taxes. The county has significant powers to collect delinquent taxes which would ultimately end up with the property being sold at tax sale if the property owner does not pay the delinquent taxes and assessments. At that point, there would only be a shortfall in revenues to pay the drain assessment if the property is sold for less than the amount of outstanding delinquent taxes and assessments and the interest and penalties on them. The balance of the assessment that has not yet become due would continue to be a lien against the property payable by the new property owner after it is sold.
 - c) During the time the delinquent assessments are being collected, the amount of the delinquent assessment would be paid to the drainage district from the county's delinquent tax revolving fund (so long as a county maintains such a program) and would be used to pay the debt service on the drain bonds.
 - d) Assessments against the municipalities are a general obligation of those municipalities and as such a legally binding obligation of the general fund of the municipalities.
- 2) By adopting a resolution pledging full faith and credit, the county is agreeing to be a backup source of payment for the bonds if there is a shortfall in the primary source of payment and the county would only make payments in the event there is ever a shortfall in the assessment collections.
 - a) For assessments against benefitted property owners, a shortfall would only come into play after the property was sold at tax foreclosure (in counties that have a delinquent tax

revolving fund), if the sale price was less than the amount of delinquent taxes, assessments, and interest and penalties on them.

b) Such amounts will normally be relatively small since on most assessment rolls any one assessment against a benefitted property is only a small part of the whole, and the delinquency would most often only be for a few years of a multiyear assessment.

3) Payments by counties pursuant to a full faith and credit resolution are rare, and if they are required would normally be small and only for a short time.

a) County payments are usually short term since under the Drain Code the drainage district is required to levy a deficiency assessment against the district for the amount of any shortfall within two years and when that assessment is levied and collected, the county would be paid back.

b) In addition to deficiency assessments, the drainage district has the ability to levy an administrative fee in the way of an interest rate on the assessments that is 1 percent over the interest rate of the bonds issued in anticipation of the assessments. This small additional amount of interest is allowed to the drainage district to cover costs, including costs that could lead to a shortfall, thus further mitigating risk to the county.

SUMMARY

In summary, the pledge of full faith and credit is a key element in Michigan to allow the drainage district to issue bonds for the project, which is critical to give the public corporations and benefitted properties time over which to pay their assessments at a lower interest rate, thus providing a key financial benefit to the County and its property owners.

Computation of Costs

State Of Michigan

County of Allegan

In the Matter of #027 Baughman Drain

Traversing the Township(s) of Otsego Township, Otsego City

County and State aforesaid

Be it Known, that I, Denise Medemar County Drain Commissioner

of the County of Allegan and State of Michigan, in accordance with the statute in such case

made and provided, did on the 17th day of July, 2024 A.D.

make the following computation of the entire cost of said drain to wit:

(1) Board of Determination	
Mileage & Per Diem	\$166.53
Meeting Transcription	\$297.25
(2) Contracts For Construction	
Maintenance to Date	\$7,204.50
Construction Contract - Division 1	\$416,442.80
Construction Contract - Division 2	\$504,007.10
(3) Engineering, Study and District Revisions (LRE)	\$59,700.00
(4) Engineering, Engineering Design and Bidding	
LRE Engineering	\$243,900.00
Allegan County Engineering	\$4,255.00
(5) Legal	\$45,000.00
Appeals	
(6) Other Expenses	
ACDC Admin Costs	\$2,713.51
EGLE Permit	\$500.00
Easement Appraisals	\$27,000.00
Easement Purchase	\$85,000.00
Register of Deeds Recording Fee	\$1,617.10
Interim Borrowing	\$26,125.20
Financial Advisory Fees	
Mailings	\$2,500.00
(7) Cost of Inspection, Construction Engineering	
LRE Services	\$142,820.00
Allegan County Services	\$16,000.00
(8) Publishing Notices	\$595.00
(9) Costs of Issuance	
Bond Counsel	\$21,000.00
Municipal Advisor	\$19,900.00
Rating Fee	\$18,000.00
Municipal Advisory Council Fee	\$450.00
Official Statement Fee	\$750.00
Treasury Fee	
Printing of Notice of Sale	\$2,250.00
(10) Interest on First Year Note (5.00%)	\$96,500.00
Gross Sum of Expenses	\$1,744,693.99
Contingent Expenses (Excludes Interest) 10.62%	\$185,306.01
Total Computed Cost of Constructing Drain	\$1,930,000.00

Filed in my office with other papers pertaining to the within mentioned drain

Dated at Allegan this 17th day of July 2024



Denise Medemar

County Drain Commissioner of Allegan County

The Allegan County Drain Commissioner (ACDC) received a petition in February 2014 for "cleaning out, relocating, widening, deepening, straightening, tiling, extending, adding branches or relocating along a highway" the #027 Baughman Drain. The primary issue was basement flooding within the Southgate Subdivisions and Prairiewood Condominium. A BOD (public meeting) was held in December 2015 to hear all testimony of affected property owners and an engineer's evaluation. The BOD determined that a project was necessary based on public health, convenience, or welfare.

As a result, an improvement project that consists of cleaning out the existing county drain and 3 man-made tributaries (branches) to the Baughman Drain and installing 2 additional underdrain branches along Elm Street and north of Prairiewood Court. Due to conflicts with existing utilizes, the proposed underdrain was located north of the properties on Prairiewood Court rather than along the street. The proposed improvements will lower groundwater in the area, thereby reducing basement flooding and improving surface water flow through the tributaries in response to the Baughman Drain petition.

Thank you,

Dan Fredricks

Vice President / Project Manager

Land & Resource Engineering

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ENGINEERS & SURVEYORS