



MEMORANDUM

REGULAR CITY COUNCIL MEETING

July 17, 2023, at 7:00 PM

TO: City Council

FROM: Rich LaBombard, City Manager

SUBJECT: Baker Tilly – Consultant Engagement Letter for Water Agreement

The Cities of Douglas and Saugatuck, and Saugatuck Township, are constituent communities of the Kalamazoo Lake Sewer and Water Authority (KLSWA). The constituent communities rely on a written agreements for water and sewer to define areas of responsibility and the working relationship between the constituent communities and KLSWA. The Department of Energy, Great Lakes, and Environment (EGLE) has mandated that KLSWA and the constituent communities update the water agreement to correct certain deficiencies pertaining to management organization of the water system. EGLE requires that an updated water agreement be submitted no later than December 31, 2023.

Given the short timeframe for submitting the update, KLSWA and the constituent communities recommend engaging a utility consultant to act as an advisor and facilitator to guide the update process. A utility consultant provides industry knowledge of best practices, experience with negotiating complex agreements, and consultation regarding financial impacts of decisions.

Three consultants submitted proposals and were interviewed by the constituent communities managers and city attorneys. The submittals were provided by:

- Baker Tilly – East Lansing, Michigan
- Utility Financial Solutions – Leland, Michigan
- Stantec – Ann Arbor, Michigan

KLSWA and the three constituent municipalities unanimously recommend accepting the proposal submitted by Baker Tilly. All determined that Baker Tilly had the required experience, understand the situation and history of KLSWA, and had the availability for timely completion of the project. Baker Tilly has proposed a fee of \$45,000 for approximately ten in-person meetings and 100 hours of time. A charge of \$2,000 for each additional meeting beyond the scope of work is also built into the agreement if needed. The following cost/share arrangement is being tentatively proposed:

- Douglas – 37.5 percent – \$16,875
- Saugatuck – 37.5 percent – \$16,875
- Saugatuck Township – 15 percent – \$6,750
- KLSWA – 10 percent – \$4,500

Baker Tilly will track and report actual hours spent with each unit to determine final cost share.

Funds are available in the Water & Sewer Fund – Construction Account – 450-000-974.

Sample Motion – Move to accept proposal from Baker Tilly of East Lansing, Michigan to act as advisory consultant in update of the KLSWA water agreement with the tentative cost share as proposed.



Kalamazoo Lake Sewer and Water Authority & Associated Member Units

Utility Governance

Proposal for utility governance and structure



Baker Tilly Municipal Advisors, LLC
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June 9, 2023

Dear Kalamazoo Lake Sewer and Water Authority & Associated Member Units:

On behalf of Baker Tilly Municipal Advisors, LLC (“BTMA” or “Firm”), we are pleased to submit this proposal to the Authority Members (the “Members” or “Client”) to assist with the utility governance discussion.

BTMA is the result of a combination of three leading service providers to the public sector: H.J. Umbaugh and Associates, Certified Public Accountants, LLP (“Umbaugh”), Springsted Incorporated (“Springsted”) and Baker Tilly US, LLP (“Baker Tilly”), the 11th largest accounting and advisory firm in the U.S. according to Accounting Today. This strategic combination brings together what we believe to be a unique set of resources within a municipal advisory practice.

BTMA is a leader in the municipal advisory space with more than 90 registered municipal advisors (MAs) to act as your independent fiduciary. We have the necessary resources, experience, commitment to quality and timeliness you require. With BTMA you will benefit from:

- Dedicated municipal advisors with deep experience in all types of bond issuance, utility rate design and governance discussions
- A collaborative approach through which we share insights and best practices
- Data and reporting that is understandable and supports your goals

We are appreciative of the opportunity to provide our qualifications, and we would welcome a chance to meet with you to further discuss your plans and visions, to share ideas, strategize and develop plans to achieve your goals. We are eager to offer our expertise and demonstrate the BTMA difference to you!

Very truly yours,

A handwritten signature in black ink, appearing to read "Andy Campbell", written in a cursive style.

BAKER TILLY MUNICIPAL ADVISORS, LLC
Andy Campbell, CPA, Director
T: (517) 325-9655
E: andy.campbell@bakertilly.com

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Firm Overview

About BTMA

BTMA brings more than 80 years of experience in solid financial consulting and planning for governmental units, not-for-profit corporations and special districts that has resulted in completed projects and improved management and operations for utilities, municipalities, counties, schools, libraries, and other governmental units. We realize that our success is a result of personal attention, integrity, and the high quality of service we provide to each individual client.

At any time, we represent several hundred governmental units. The financial advice and solutions we provide reflect our broad range of experiences with similar projects.

Accounting services	Efficiency studies
Arbitrage/rebate regulatory compliance	Financial management services
Attestation services	Investment services*
Bond issuance	Post-issuance compliance
Capital planning	Public sector human capital services
CAFR & GAAP services	Referendum assistance/surveys
Cybersecurity planning	TIF management
Economic development	User fees/Utility rate consulting

** Services provided by Baker Tilly Investment Services, LLC, a registered investment advisor and wholly-owned subsidiary of Baker Tilly US, LLP, an accounting firm.*

Experience and Qualifications

Utility governance experience

BTMA has extensive knowledge in utility governance. We currently serve as municipal advisor for many Authorities and quasi-Authorities that we have helped establish the initial governance for or helped with restructuring the Authority to better fit their needs. These discussions have helped a wide range of communities, including:

- GRSD Sewer Authority (Berrien County)
 - Restructuring took place in 2022
- Gull Lake Water & Sewer Authority (Kalamazoo County)
 - Similar set up to KLSWA
- South County Water & Sewer Authority (Kalamazoo County)
 - Currently working on Authority structure
- City of Owosso (Shiawassee County)
 - Quasi-Authority structure with surrounding Townships
- City of Jackson (Jackson County)
 - Quasi-Authority structure with surrounding Townships
- Gerrish Lyon Utility Authority (Roscommon County)
 - Currently working on Authority structure

In addition, we are a nationwide firm that has offices and consultants with a wealth of experience and similar project experience that can add value to the engagement, if needed.

Key professionals

We know the Client expects to work with professionals who are experienced municipal advisors, who understand the Client's needs, who are proactive and creative in identifying issues and who are flexible in providing solutions. BTMA has the capacity and knowledge to provide comprehensive municipal advisory services.

Team member	Role
Andy Campbell, CPA, Director	Lead advisor
Brittany Brower	Consultant

The team will be led by Andy Campbell. He has personally served more than 250 local governments throughout Michigan, with most of his work focused on water and sewer utility finance and rate management.

Resumes, highlighting the relevant qualifications and experience of these team members, are included in **Appendix I**.

Approach to the Project & Deliverables

Our dedicated professionals will provide you with realistic ideas and solutions to your challenges. We understand your unique community needs and our principal objective is to provide you with strategic insights and assist you in achieving your long-term goals.

The potential scope of services is provided below. The Firm will work with the Client as to what the Client wants the Firm to provide within the stated scope possibilities.

Debt Analysis

- Review of current debt obligations outstanding

Revenue Analysis

- Review of current rate structure(s), discussion of potential new rate structure(s)

Expense Analysis

- Review of current expenses and associated allocations, discussion of future expense allocations, tracking, responsibilities, etc.

Capital Improvement Analysis

- Review of current capital improvement plans and associated responsibilities, discussion of future plans, allocations, tracking, responsibilities, etc.

Advice

- Consultation regarding financial impact of decisions made by the Client and future anticipated outcomes
- Consultation regarding industry knowledge of standard practices
- Consultation regarding industry knowledge of similar situations, contracts, responsibilities, etc.
- Contract review, discussion and analysis

Fee Estimate

We are anticipating an iterative process that will require many in-person and virtual meetings to meet the needs of each member unit and the Authority. Our proposal below includes a base fee and assumption of time investment, as well as an allowance for further time investment, if needed.

The base fee includes up to two in-person meetings per community for a total of up to 10 in-person meetings (including the Authority). It is expected that we would meet with each community in-person at the start of the engagement to gather information, general thoughts, Authority structure desires, asset management plans, asset management expectations, etc. In addition, we would expect to present final work products to each member unit's board and the Authority board. It is also expected that we would meet virtually to discuss ideas, discuss draft work products, etc. These virtual meetings do not count towards the meeting cap but will be included in the hourly time investment calculations and charged at the hourly rates below. Travel time and in-person meeting attendance is not included in the time investment cap below as those are capped and charged separately.

The base fee includes the following aspects:

- Up to 10 in-person meetings as detailed above
- Up to 100 hours of time investment
 - Includes virtual meetings, all other hours contributed outside of in-person meetings

The base fee for this engagement would be \$45,000.

The meeting cap and time investment is based on past experience. It is anticipated that we will be able to complete the engagement within these parameters. If additional hours are needed, the hourly rate will be \$250/hour. If additional in-person meetings are needed, each meeting will be \$2,000. Additional hours and meetings will be authorized by the Client before incurrence.

Appendix I: Resume

Andy Campbell, CPA

Andy Campbell, director in the East Lansing office, joined the firm in 2013.



Baker Tilly Municipal Advisors, LLC
Director

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East Lansing, MI 48823
United States

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bakertilly.com

Education

Bachelor of Science in Business Administration,
Finance and Accounting
Central Michigan University (Mt. Pleasant, MI)

Certified Public Accountant (CPA)
State of Michigan

Registered municipal advisor with the Securities
and Exchange Commission

Andy has provided assistance to local governments, utilities, and school districts. His experience includes bond issuance, installment purchase agreements, government grant/loan programs, asset management planning, rate studies and tax increment finance.

Specific experience

- Assists local governments, counties, libraries, and authorities to obtain financing for projects through issuance of tax-exempt and taxable bonds
- Develops cash flow estimates, asset management financial plans and user rate charges

Industry involvement

- Michigan Government Finance Officers Association (MGFOA)
- MGFOA Professional Development Committee
- Michigan Water Environment Association
- American Water Works Association
- Michigan Municipal Executives
- Michigan Township Association
- American Institute of Certified Public Accountants
- Michigan Association of Certified Public Accountants



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June 30, 2023

Kalamazoo Lake Sewer and Water Authority & Associated Member Units

RE: Engagement Letter Agreement Related to Services

This letter agreement (the "Engagement Letter") is to confirm our understanding of the basis upon which Baker Tilly US, LLP ("Baker Tilly") and its affiliates are being engaged by the Kalamazoo Lake Sewer & Water Authority, the City of the Village of Douglas, the City of Saugatuck, and Saugatuck Township (the "Clients") to assist the Clients with advisory services.

Scope, Objectives and Approach

It is anticipated that projects undertaken in accordance with this Engagement Letter will be at the request of the Clients. The scope of services, additional terms and associated fee for individual engagements will be contained in a Scope Appendix or Appendices to this Engagement Letter. Authorization to provide services will commence upon execution and return of this Engagement Letter and one or more Appendices.

Management's Responsibilities

It is understood that Baker Tilly will serve in an advisory capacity with the Clients. The Clients are responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge, or experience to oversee the services we provide. The Clients are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. The Clients are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

The procedures we perform in our engagement will be heavily influenced by the representations that we receive from Client's personnel. Accordingly, false representations could cause material errors to go undetected. The Clients, therefore, agrees that Baker Tilly will have no liability in connection with claims based upon our failure to detect material errors resulting from false representations made to us by any Client's personnel and our failure to provide an acceptable level of service due to those false representations.

The ability to provide service according to timelines established and at fees indicated will rely in part on receiving timely responses from the Clients. The Clients will provide information and responses to deliverables within the timeframes established in a Scope Appendix unless subsequently agreed otherwise in writing.

The responsibility for auditing the records of the Clients rests with the Client's separately retained auditor and the work performed by Baker Tilly shall not include an audit or review of the records or the expression of an opinion on financial data.

Ownership of Intellectual Property

Unless otherwise stated in a specific Scope Appendix, subject to Baker Tilly's rights in Baker Tilly's Knowledge (as defined below), Clients shall own all intellectual property rights in the deliverables developed under the applicable Scope Appendix or Appendices ("Deliverables"). Notwithstanding the foregoing, Baker Tilly will maintain all ownership right, title and interest to all Baker Tilly's Knowledge. For purposes of this Agreement "Baker Tilly's Knowledge" means Baker Tilly's

proprietary programs, modules, products, inventions, designs, data, or other information, including all copyright, patent, trademark and other intellectual property rights related thereto, that are (1) owned or developed by Baker Tilly prior to the Effective Date of this Agreement or the applicable Scope Appendix or Appendices ("Baker Tilly's Preexisting Knowledge") (2) developed or obtained by Baker Tilly after the Effective Date, that are reusable from client to client and project to project, where Clients have not paid for such development; and (3) extensions, enhancements, or modifications of Baker Tilly's Preexisting Knowledge which do not include or incorporate Client's confidential information. To the extent that any Baker Tilly Knowledge is incorporated into the Deliverables, Baker Tilly grants to Clients a non-exclusive, paid up, perpetual royalty-free worldwide license to use such Baker Tilly Knowledge in connection with the Deliverables, and for no other purpose without the prior written consent of Baker Tilly. Additionally, Baker Tilly may maintain copies of its work papers for a period of time and for use in a manner sufficient to satisfy any applicable legal or regulatory requirements for records retention.

The supporting documentation for this engagement, including, but not limited to work papers, is the property of Baker Tilly and constitutes confidential information. We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we are required by law, regulation or professional standards to make certain documentation available to required third parties, the Clients hereby authorizes us to do so.

Timing and Fees

Specific services will commence upon execution and return of a Scope Appendix to this Engagement Letter and our professional fees will be based on the rates outlined in such Scope Appendix.

Payment of professional fees is not contingent upon project completion by Clients nor material timing changes in project completion. Professional fees provided according to the Scope Appendix are due within 30 days of being invoiced, regardless of project status. If necessary, monthly payment plan arrangements may be negotiated upon request.

Unless otherwise stated, in addition to the fees described in a Scope Appendix the Clients will pay all of Baker Tilly's reasonable out-of-pocket expenses incurred in connection with the engagement. All out of pocket costs will be passed through at cost and will be in addition to the professional fee.

Dispute Resolution

Except for disputes related to confidentiality or intellectual property rights, all disputes and controversies between the parties hereto of every kind and nature arising out of or in connection with this Engagement Letter or the applicable Scope Appendix or Appendices as to the existence, construction, validity, interpretation or meaning, performance, nonperformance, enforcement, operation, breach, continuation, or termination of this Agreement or the applicable Scope Appendix or Appendices as shall be resolved as set forth in this section using the following procedure: In the unlikely event that differences concerning the services or fees provided by Baker Tilly should arise that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the dispute by engaging in mediation administered by the American Arbitration Association under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute resolution procedure. Each party shall bear their own expenses from mediation and the fees and expenses of the mediator shall be shared equally by the parties. If the dispute is not resolved by mediation, then the parties agree to expressly waive trial by jury in any judicial proceeding involving directly or indirectly, any matter (whether sounding in tort, contract, or otherwise) in any way arising out of, related to, or connected with this Agreement or the applicable Scope Appendix or Appendices as or the relationship of the parties established hereunder.

Because a breach of any the provisions of this Engagement Letter or the applicable Scope Appendix or Appendices as concerning confidentiality or intellectual property rights will irreparably harm the non-breaching party, Clients and Baker Tilly agree that if a party breaches any of its obligations thereunder, the non-breaching party shall, without limiting its other rights or remedies, be entitled to seek equitable relief (including, but not limited to, injunctive relief) to enforce its rights thereunder,

including without limitation protection of its proprietary rights. The parties agree that the parties need not invoke the mediation procedures set forth in this section in order to seek injunctive or declaratory relief.

Limitation on Damages

To the extent allowed under applicable law, the aggregate liability (including attorney's fees and all other costs) of either party and its present or former partners, principals, agents or employees to the other party related to the services performed under an applicable Scope Appendix or Appendices shall not exceed the fees paid to Baker Tilly under the applicable Scope Appendix or Appendices to which the claim relates, except to the extent finally determined to have resulted from the gross negligence, willful misconduct or fraudulent behavior of the at-fault party. Additionally, in no event shall either party be liable for any lost profits, lost business opportunity, lost data, consequential, special, incidental, exemplary, or punitive damages, delays or interruptions arising out of or related to this Engagement Letter or the applicable Scope Appendix or Appendices as even if the other party has been advised of the possibility of such damages.

Each party recognizes and agrees that the warranty disclaimers and liability and remedy limitations in this Engagement Letter are material bargained for bases of this Engagement Letter and that they have been taken into account and reflected in determining the consideration to be given by each party under this Engagement Letter and in the decision by each party to enter into this Engagement Letter.

The terms of this section shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort, or any form of negligence, whether of you, Baker Tilly or others), but these terms shall not apply to the extent finally determined to be contrary to the applicable law or regulation. These terms shall also continue to apply after any termination of this Engagement Letter.

You accept and acknowledge that any legal proceedings arising from or in conjunction with the services provided under this Engagement Letter must be commenced within twelve (12) months after the performance of the services for which the action is brought, without consideration as to the time of discovery of any claim.

Other Matters

E-Verify Program

Baker Tilly participates in the E-Verify program. For the purpose of this paragraph, the E-Verify program means the electronic verification of the work authorization program of the Illegal Immigration Reform and Immigration Responsibility Act of 1996 (P.L. 104-208), Division C, Title IV, s.401(a), as amended, operated by the United States Department of Homeland Security or a successor work authorization program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work authorization status of newly hired employees under the Immigration Reform and Control Act of 1986 (P.L. 99-603). Baker Tilly does not employ any "unauthorized aliens" as that term is defined in 8 U.S.C. 1324a(h)(3).

In the event Baker Tilly is requested by the Clients; or required by government regulation, subpoena, or other legal process to produce our engagement working papers or its personnel as witnesses with respect to its Services rendered for the Clients, so long as Baker Tilly is not a party to the proceeding in which the information is sought, Clients will reimburse Baker Tilly for its professional time and expenses, as well as the fees and legal expenses incurred in responding to such a request.

Neither this Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated, or subcontracted by either party without the 'written consent of the other party. Either party may assign and transfer this Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization, or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Engagement Letter.

In the event that any provision of this Engagement Letter or statement of work contained in a Scope Appendix hereto is held by a court of competent jurisdiction to be unenforceable because it is invalid or in conflict with any law of any relevant jurisdiction, the validity of the remaining provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Engagement Letter or statement of work did not contain the particular provisions held to be unenforceable. The unenforceable provisions shall be replaced by mutually acceptable provisions which, being valid, legal and enforceable, come closest to the intention of the parties underlying the invalid or unenforceable provision. If the Services should become subject to the independence rules of the U.S. Securities and Exchange Commission with respect to the Clients, such that any provision of this Engagement Letter would impair Baker Tilly's independence under its rules, such provision(s) shall be of no effect.

Termination

Both the Clients and Baker Tilly have the right to terminate this Engagement Letter, or any work being done under an individual Scope Appendix at any time after reasonable advance written notice. On termination, all fees and charges incurred prior to termination shall be paid promptly. Unless otherwise agreed to by the Clients and Baker Tilly, the scope of services provided in a Scope Appendix will terminate 60 days after completion of the services in such Appendix.

Important Disclosures


Incorporated as Attachment A and part of this Engagement Letter are important disclosures. These include disclosures that apply generally and those that are applicable in the event Baker Tilly is engaged to provide municipal advisory services.

This Engagement Letter, including the attached Disclosures as updated from time to time, comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals, oral or written, and all other communications between the parties. Both parties acknowledge that work performed pursuant to the Engagement Letter will be done through Scope Appendices executed and made a part of this document.

Any rights and duties of the parties that by their nature extend beyond the expiration or termination of this Engagement Letter shall survive the expiration or termination of this Engagement Letter or any statement of work contained in a Scope Appendix hereto.

If this Engagement Letter is acceptable, please sign below and return one copy to us for our files.

Sincerely,



Andy Campbell, CPA, Director

Attachment A Important Disclosures

Non-Exclusive Services

Clients acknowledges and agrees that Baker Tilly, including but not limited to Baker Tilly US, LLP, Baker Tilly Municipal Advisors, LLC, Baker Tilly Capital, LLC, and Baker Tilly Investment Services, LLC, is free to render municipal advisory and other services to the Clients or others and that Baker Tilly does not make its services available exclusively to the Clients.

Affiliated Entities

Baker Tilly US, LLP is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity, and each describes itself as such. Baker Tilly US, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly US, LLP, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

Baker Tilly Investment Services, LLC ("BTIS"), a division of Baker Tilly Wealth Management, LLC, is registered as an investment adviser with the Securities and Exchange Commission ("SEC") under the Federal Investment Advisers Act of 1940, may provide services to the Clients in connection with the investment of proceeds from an issuance of securities. In such instances, services will be provided under a separate engagement, for an additional fee. Notwithstanding the foregoing, Baker Tilly may act as solicitor for and recommend the use of BTIS, but the Clients shall be under no obligation to retain BTIS or to otherwise utilize BTIS relative to Client's investments. The fees paid with respect to investment services are typically based in part on the size of the issuance proceeds and Baker Tilly may have incentive to recommend larger financings than would be in the Client's best interest. Baker Tilly will manage and mitigate this potential conflict of interest by this disclosure of the affiliated entity's relationship, a Solicitation Disclosure Statement when Clients retains BTIS's services and adherence to Baker Tilly's fiduciary duty and/or fair dealing obligations to the Clients.

Baker Tilly Capital, LLC ("BTC") is a limited-service broker-dealer specializing in merger and acquisition, capital sourcing, project finance and corporate finance advisory services. BTC does not participate in any municipal offerings advised on by its affiliate Baker Tilly Municipal Advisors. Any services provided to Clients by BTC would be done so under a separate engagement for an additional fee.

Baker Tilly Municipal Advisors ("BTMA") is registered as a "municipal advisor" pursuant to Section 15B of the Securities Exchange Act and rules and regulations adopted by the SEC and the Municipal Securities Rulemaking Board ("MSRB"). As such, BTMA may provide certain specific municipal advisory services to the Clients. BTMA is neither a placement agent to the Clients nor a broker/dealer. The offer and sale of any Bonds is made by the Clients, in the sole discretion of the Clients, and under its control and supervision. The Clients acknowledge that BTMA does not undertake to sell or attempt to sell bonds or other debt obligations and will not take part in the sale thereof.

Baker Tilly, may provide services to the Clients in connection with human resources consulting, including, but not limited to, executive recruitment, talent management and community survey services. In such instances, services will be provided under a separate scope of work for an additional fee. Certain executives of the Clients may have been hired after the services of Baker Tilly were utilized and may make decisions about whether to engage other services of Baker Tilly or its subsidiaries. Notwithstanding the foregoing, Baker Tilly may recommend the use of Baker Tilly or a subsidiary, but the Clients shall be under no obligation to retain Baker Tilly or a subsidiary or to otherwise utilize either relative to the Client's activities.

Conflict Disclosure Applicable to Municipal Advisory Services Provided by BTMA

Legal or Disciplinary Disclosure. BTMA is required to disclose to the SEC information regarding criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation involving BTMA. Pursuant to MSRB Rule G-42, BTMA is required to disclose any legal or disciplinary event that is material to the Client's evaluation of BTMA or the integrity of its management or advisory personnel.

There are no criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations or civil litigation involving BTMA. Copies of BTMA filings with the SEC can currently be found by accessing the SEC's EDGAR system Company Search Page which is currently available at <https://www.sec.gov/edgar/searchedgar/companysearch.html> and searching for either Baker Tilly Municipal Advisors, LLC or for our CIK number which is 0001616995. The MSRB has made available on its website (www.msrb.org) a municipal advisory client brochure that describes the protections that may be provided by MSRB rules and how to file a complaint with the appropriate regulatory authority.

Contingent Fee. The fees to be paid by the Clients to BTMA are or may be based on the size of the transaction and partially contingent on the successful closing of the transaction. Although this form of compensation may be customary in the municipal securities market, it presents a conflict because BTMA may have an incentive to recommend unnecessary financings, larger financings or financings that are disadvantageous to the Clients. For example, when facts or circumstances arise that could cause a financing or other transaction to be delayed or fail to close, BTMA may have an incentive to discourage a full consideration of such facts and circumstances, or to discourage consideration of alternatives that may result in the cancellation of the financing or other transaction.

Hourly Fee Arrangements. Under an hourly fee form of compensation, BTMA will be paid an amount equal to the number of hours worked multiplied by an agreed upon billing rate. This form of compensation presents a potential conflict of interest if BTMA and the Clients do not agree on a maximum fee under the applicable Appendix to this Engagement Letter because BTMA will not have a financial incentive to recommend alternatives that would result in fewer hours worked. In addition, hourly fees are typically payable by the Clients whether or not the financing transaction closes.

Fixed Fee Arrangements. The fees to be paid by the Clients to BTMA may be in a fixed amount established at the outset of the service. The amount is usually based upon an analysis by Clients and BTMA of, among other things, the expected duration and complexity of the transaction and the work documented in the Scope Appendix to be performed by Baker Tilly. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, Baker Tilly may suffer a loss. Thus, Baker Tilly may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives.

BTMA manages and mitigates conflicts related to fees and/or other services provided primarily through clarity in the fee to be charged and scope of work to be undertaken and by adherence to MSRB Rules including, but not limited to, the fiduciary duty which it owes to the Clients requiring BTMA to put the interests of the Clients ahead of its own and BTMA's duty to deal fairly with all persons in its municipal advisory activities.

To the extent any additional material conflicts of interest have been identified specific to a scope of work the conflict will be identified in the respective Scope Appendix. Material conflicts of interest that arise after the date of a Scope Appendix will be provide to the Clients in writing at that time.

RE: Municipal Advisory Services

DATE: June 30, 2023

This Scope Appendix is attached by reference to the above-named engagement letter (the "Engagement Letter") between the Kalamazoo Lake Sewer and Water Authority, the City of the Village of Douglas, the City of Saugatuck, and Saugatuck Township (the "Clients") and Baker Tilly US, LLP and relates to services to be provided by Baker Tilly Municipal Advisors, LLC.

SCOPE OF WORK & ASSOCIATED FEES

Baker Tilly Municipal Advisors, LLC ("BTMA") will perform the following services:

Debt Analysis

- Review of current debt obligations outstanding

Revenue Analysis

- Review of current rate structure(s), discussion of potential new rate structure(s)

Expense Analysis

- Review of current expenses and associated allocations, discussion of future expense allocations, tracking, responsibilities, etc.

Capital Improvement Analysis

- Review of current capital improvement plans and associated responsibilities, discussion of future plans, allocations, tracking, responsibilities, etc.

Advice

- Consultation regarding financial impact of decisions made by the Client and future anticipated outcomes
- Consultation regarding industry knowledge of standard practices
- Consultation regarding industry knowledge of similar situations, contracts, responsibilities, etc.
- Contract review, discussion and analysis

We are anticipating an iterative process that will require many in-person and virtual meetings to meet the needs of each member unit and the Authority. Our proposal below includes a base fee and assumption of time investment, as well as an allowance for further time investment, if needed.

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**SCOPE APPENDIX to
Engagement Letter dated: June 30, 2023**

**Between Kalamazoo Lake Sewer and Water Authority & Associated Member Units and
Baker Tilly US, LLP**

The base fee includes the following aspects:

- Up to 10 in-person meetings as detailed above
- Up to 100 hours of time investment
 - Includes virtual meetings, all other hours contributed outside of in-person meetings

The base fee for this engagement would be \$45,000.

The meeting cap and time investment is based on past experience. It is anticipated that we will be able to complete the engagement within these parameters. If additional hours are needed, the hourly rate will be \$250/hour. If additional in-person meetings are needed, each meeting will be \$2,000. Additional hours and meetings will be authorized by the Clients before incurrence.

Conflicts of Interest

Attachment A to the Engagement Letter contains important disclosure information that is applicable to this Scope Appendix.

We are unaware of any additional conflicts of interest related to this Scope Appendix that exist at this time.

SCOPE APPENDIX to
Engagement Letter dated: June 30, 2023
Between Kalamazoo Lake Sewer and Water Authority & Associated Member Units and
Baker Tilly US, LLP

Termination

Notwithstanding termination provisions contained in the Engagement Letter, this Scope Appendix is intended to be ongoing and applicable individually to specific services including financings, arbitrage computations, and/or continuing disclosure engagement, ("Sub-engagements") as if they are the sole subject of the Scope Appendix. As such, termination may occur for a specific Sub-engagement without terminating the Scope Appendix itself. On termination of a Sub-engagement or the Scope Appendix, all fees and charges incurred prior to termination shall be paid promptly. Unless otherwise agreed to by the Clients and Baker Tilly, the scope of services provided in a Sub-engagement performed under this Scope Appendix will terminate 60 days after completion of the services for such Sub-engagement.

If this Scope Appendix is acceptable, please sign below and return one copy to us for our files. We look forward to working with you on this important project.

Sincerely,



Andy Campbell, CPA, Director

Signature Section:

The terms as set forth in this Engagement Letter are agreed to on behalf of the Clients by:

City of the Village of Douglas

Name: _____

Title: _____

Date: _____

City of Saugatuck

Name: _____

Title: _____

Date: _____

Saugatuck Township

Name: _____

Title: _____

Date: _____