

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2020, by and between the Village of East Hazel Crest, Cook County, Illinois and the Village of Homewood, Cook County, Illinois.

### WITNESSETH:

**WHEREAS**, the Village of East Hazel Crest, Cook County, Illinois ("*East Hazel Crest*") is a duly organized and validly existing home rule municipality created in accordance with the Constitution of the State of Illinois of 1970 and the laws of this State; and,

**WHEREAS**, the Village of Homewood, Cook County, Illinois ("*Homewood*") is a duly created and validly existing non home-rule municipality created in accordance with the Constitution of the State of Illinois of 1970 and the laws of this State; and,

**WHEREAS**, Homewood has entered into a contract with the City of Chicago Heights, Cook County, Illinois ("*Chicago Heights*") to purchase water available to Chicago Heights pursuant to its contract with the City of Hammond, Lake County, Indiana, in sufficient quantities to enable Homewood to provide water service to all users within its border and also to sell water to East Hazel Crest to service all of East Hazel Crest's water users; and,

**WHEREAS**, Homewood has submitted a proposal to East Hazel Crest providing for terms and conditions for the sale of water to East Hazel Crest as set forth in the Exhibit attached hereto and made a part hereof: "Homewood Water Delivery to East Hazel Crest Proposed Contract Terms" (the "*Proposed Water Contract Terms*"); and,

**WHEREAS**, East Hazel Crest has reviewed the Proposed Water Contract Terms and is prepared to enter into this Memorandum of Understanding with Homewood whereby Homewood grants to East Hazel Crest a period of six months to do its due diligence in order to ascertain the

engineering requirements; the water quality requirements as mandated by the Illinois Environmental Protection Agency and all other agencies having jurisdiction over the transmission and provision of water; the necessary improvements to be made to East Hazel Crest distribution; and, all other issues to be resolved to permit East Hazel Crest to enter into a contract with Homewood for the purchase of water to serve all water users within its borders.

**NOW, THEREFORE, IT IS HEREBY AGREED** between Homewood and East Hazel Crest as follows:

*Section 1.* The foregoing preambles shall be incorporated herein as if fully restated in this Section 1 of this Memorandum of Understanding.

*Section 2.* For a period of six months commencing with the date of execution of this Memorandum of Understanding (the "Term"), Homewood and East Hazel Crest agree to work cooperatively with each other to review any and all information, reports, plans, and documents as deemed necessary by either party prepared by or in possession of their respective employees, engineers, agents, consultants, attorneys and potential water provider to enable the parties to begin to negotiate a contract for the sale of water by Homewood to East Hazel Crest.

*Section 3.* At the expiration of the Term, East Hazel Crest may advise Homewood of its desire to proceed with a contract to purchase water from Homewood pursuant to terms mutually agreeable to the parties. In the event either party determines not to proceed to a contract at the expiration of the Term, the parties agree that all information, plans, reports and documents shared with each other pursuant to the terms of this Memorandum of Understanding shall not be used by either party without the express consent of the other party.

*Section 4.* Each party shall be solely responsible for all costs and expenses incurred by it in pursuing engineering studies, information and documentation required by such party, except

that costs and expenses shall be shared among the parties for services that benefit both parties in an amount mutually agreed to, and each party shall not be liable to the other party for any work, engineering study and investigation undertaking by it in accordance with the terms hereof.

*Section 5.* This Memorandum of Understanding does not bind either party to any contract unless set forth in a written in a final contract approved by both parties as required by law.

Dated as of the date set forth above.



Village of East Hazel Crest, Cook County, Illinois

By:

Mayor

Village Clerk

Village of Homewood, Cook County, Illinois

By:

Village President

*Attest:*

Village Clerk

## Homewood Water Delivery to East Hazel Crest Proposed Contract Terms

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### Definitions:

1. **Base Water Rate:** The rate Chicago Heights will charge Homewood for water, and that Homewood would charge East Hazel Crest.
2. **Water Delivery Rate:** The rate Homewood would charge East Hazel Crest to deliver water.
3. **Total Water Rate:** Base Water Rate + Water Delivery Rate.

**Agreement Term –** ~~25 years~~ <sup>10 yr</sup> <sub>10</sub>

**Initial Base Water Rate** – The Initial Base Water Rate is \$4.05/1,000 gallons. This rate consists of the Hammond water base rate - \$2.05/1,000 gallons and the Chicago Heights delivery rate - \$2.00/1,000 gallons.

**Annual Base Water Rate Adjustment** – According to the terms of Chicago Height's proposed contract with Homewood, the Base Water Rate shall increase annually on the anniversary of the commencement of water delivery or January 1, 2023, whichever occurs first. The Base Water Rate shall increase annually at a rate equal to the increase in the Consumer Price Index for All Urban Consumers, but the annual increase shall not be less than 1% or more than 3%. Homewood would charge East Hazel Crest the same Base Water Rate that Chicago Heights charges Homewood.

**Initial Water Delivery Rate** – The Initial Water Delivery Rate charged by Homewood to East Hazel Crest would be \$0.70/1,000 gallons. This rate includes Homewood's capital costs to construct the pipeline and infrastructure to deliver Chicago Heights water to East Hazel Crest and routine Operations and Maintenance costs.

**Annual Water Delivery Rate Adjustment** – The Water Delivery Rate shall increase annually on the same date the Base Water Rate is adjusted. The Water Delivery Rate shall increase annually at a rate equal to the increase in the Consumer Price Index for All Urban Consumers, but the annual increase shall not be less than 1% or more than 3%.

**Initial Total Water Rate** – \$4.75/1,000 gallons.

**Shared Costs** – Homewood and East Hazel Crest to negotiate a cost sharing formula for significant engineering and/or capital costs for future improvements or repairs that benefit East Hazel Crest.