

Council Chamber, Ann Arbor, Mich., July 14, 1913. Special Session.

Meeting called to order by the president. Present: Ald. Schultz, Fiegel, Hanselmann, Prochnow, Koernke, Pipp, Flynn, Hubbard, Rash, Groves, G. Lutz, Pres. Schmid, 12.

Absent: Ald. A. Lutz, Sherk, Sink, 3.

Mayor's Call.

Ann Arbor, Mich., July 11, 1913.

Ross Granger, City Clerk: Dear Sir—You will call a special meeting of the common council at the council chambers for Monday night, July 14, 1913, at 7:30 o'clock, for the purpose of receiving report from the special water committee, or its sub-committee, appointed to interview the Ann Arbor Water company, if agreement is reached; and if no agreement is reported then to receive a communication from me, and to take such action on said reports or communication as the council in their judgment deem best.

Respectfully, R. G. MacKenzie, Mayor.

Moved by Ald Schultz, that the special water committee meet in executive session and report back to council as soon as possible. Adopted.

Council took a recess until called to order by president.

Council called to order by president. Ald. Lutz presented the following as a report from the special water committee.

Committee Report.

July 14, 1913.

To the Special Water Committee of the Council: Gentlemen—Your special committee to confer with the Ann Arbor Water company in regard to better price on their plant wish to report that we have conferred with the representatives of said company and submit to you a written report as presented to us.

"To the Special Water Committee of the Common Council of the City of Ann Arbor: Gentlemen—Inasmuch as the object of this meeting was explained to me by one of your members, and so that the position of our company may be made clear to you, I have, with the consent of our directors, reduced their answer to writing.

"In the month of March last, just after our company had entered into an agreement for the refunding of its bonded debt and for the sale of securities that would enable it to complete its plan for improving the service in the eastern part of the city and to make the extensions that were called for this year, and which con-

tract we were obliged to cancel at considerable expense to us, because of the opening of negotiations by the city for the purchase of the plant, your committee asked us to fix a price at which we would sell, and as the city under our contract has a right to purchase the property at any time, we gave you our price, explaining to your committee, that the expense of refunding our bonded debt was very large, in fact, more than three times as large as we had supposed it to be, and that if the city desired to purchase the property that we would much rather give to the city the benefit of what it would cost us to refund our bonds, than to pay the amount to foreign brokers, and hence we gave the city the price of \$450,000, which not only gave the city the benefit of all of the expenses of refunding our bonds, but also included a substantial reduction besides, making the price at which we were to sell about \$92,000 less than we considered the value of the property, and when we made you this price, we thought that it would be so satisfactory as to be acceptable to all and justify your recommending, without hesitation, the purchase of the property.

"The plant has cost to date \$557,762.67 or \$107,000 more than we offered it for. We have expended on the property in the two years and 11 months immediately preceding March 1, 1913, \$81,192.98, vouchers showing such cost and expenditures are on file in our office and we had expected to expend during this season for the completion of the plans of Professor Cooley for improving the service and for extensions ordered by the city, about \$40,000 more.

"On two different occasions the city has caused our property to be valued by experts of its own selection and each time these experts have found the value of the plant to be far in excess of the price that the company gave you. If these appraisals are correct, then the price that we have given you, if you wish to be fair with us, should be satisfactory, and if the valuations placed upon the property by your employes are not correct, the water company ought not to be blamed, but a correct valuation should be obtained.

"We must of course assume that your committee in asking us for a lower price, does so for the reason that you do not consider the property worth the amount asked, and that the valuations placed upon it by your experts, are too high. We have also as-

Rash, Groves, G. Lutz, Pres. Schmid,
12. Nays, none.

Communication from Mayor.

"To the Common Council: Gentlemen—Now that the Huron street paving matter seems to be in a fair way of adjustment, vigorous action should be taken to effect a settlement of the water question.

"If your honorable body is of the opinion that the property of the company is not worth the price demanded, would it not be advisable for the city to offer the company, to leave the price to be paid by the city for this property to the judgment of a commission, to be named in some fair way, upon the following conditions:

"1. That if the commission finds the value (exclusive of franchise value) to be less than the sum of \$450,000 that the company is to sell at the price found by the commission and to pay the entire charges of the commission.

"2. That if the commission finds the value (exclusive of franchise value) to be more than \$450,000, that the city is still to have the right to purchase the property at the sum of \$450,000, the price now asked by the company for the property. The city to pay the entire charges of the commission.

"Under this arrangement the city would not run the risk of paying more than the company now asks for the property (except the charges of the commission) and the company would be bound to sell at whatever sum the commission found the value

to be below the sum now asked for the property.

"The only thing that seems to prevent or that now stands in the way of a settlement of this question, is the one of value. For one person to say that he will not pay more than a certain amount or for the company to assert that it will not sell for less than a certain amount, does not get the city or the company anything and in no way tends to settle the question. With the number of men upon this council who have made a success of their own business, and with a competent engineer in our employ and another upon our council who has had years of experience in construction work, it is almost inconceivable that we, who have been elected to do the people's work, cannot agree upon some fair method of ascertaining the value of this property and after this is done, submit the question with our recommendation to the voters for their approval. Inaction on our part reflects no credit upon us at this time. We should either show our competency to deal with this matter or, as one of the aldermen expressed it, allow our places to be filled by those who can do so.

"An honest effort on our part along these lines ought to appeal to all fair minded men who have due regard for the welfare of the city.

"Yours, etc.,

"R. G. MAC KENZIE, Mayor.
Referred to special water committee by order of president.

The council adjourned.

ROSS GRANGER, Clerk.

sumed that you want to be perfectly fair with our company and that if you should purchase the property, that you will want to pay, all that the property, in its present condition, is worth to the city.

"With two appraisals made by the city, each of which placed the value of the property at a sum far beyond the amount asked for it, and with our own books and vouchers showing the payment, item by item, for labor and material that we know has actually been expended upon the property and that is now in use in the property showing the cost of the property to be in excess of \$557,000, we do not feel that it is fair or reasonable for you to ask us for a further reduction, unless an impartial and disinterested appraisal and valuation of the property will show that appraisals heretofore made are incorrect.

"We are willing that you should determine the value of the property in any practicable way that seems proper to you, and to that end we will cooperate with you and will render to you all the help within our power, and we respectfully ask you to go with us over our property so that you may have full and complete knowledge of it. We are willing to incur the expense necessary in order to expose to view, for your examination, our pipes in as many parts of the city as you shall desire in order to show their present efficacy, and to assist you in measuring our water supply so that you may have correct information as to its amount and value and to submit to you our records of water pumped from day to day and our records showing the quality of the water, and you may have full access to our books and records so that you may have every detail of the expenses of operating the plant and its earning power, and the amount of its bonded debt outstanding and how the proceeds of these bonds have been expended.

"That you may examine the vouchers for all moneys that have been expended upon the property, and if the genuineness of any voucher is questioned, we will go to the expense of producing the necessary evidence to prove its correctness.

"The work necessary to value a property like ours is not unlike the work necessary to determine the value of many other kinds of property, and in any effort that you may wish to make for this purpose, we will give you the benefit of our hearty co-operation and assistance and we think

there ought to be no trouble in finding a neutral ground upon which we can all stand with perfect safety.

"The pressing needs of the city call imperatively, not only for the extensions of our mains that have already been ordered by the council, but also for the completion of the work according to the plans of Professor Cooley for furnishing adequate pressure in the eastern part of the city. All of which we are unable to do, for the obvious reason, that investors will not purchase our securities until this question is settled, and therefore we ask you to determine the question in as short a time as is practicable under the circumstances, and you will find us ready to meet you half way.

"Until a fair and impartial valuation of our property has been made, showing that its present value to the city is not what we have asked for it, we must decline to give you a lower price, but in this connection we will say, that we will not ask you to pay more for the property than it is found, upon examination and appraisal to be worth, all we ask is, that you take some fair method of determining the value and after you have satisfied yourselves upon that point, you may be of the opinion that we have given you, what we believe to be, a very low price.

"Respectfully,

"The Ann Arbor Water Company.

"By A. K. Hale, Secretary."

We have given said report due consideration and can advise your committee that we have made all efforts to obtain for you and the citizens of Ann Arbor a lower price upon said plant and would further state that we made a proposition to the representatives of the company that if they would come down to \$425,000.00 we would present it to the people at our earliest opportunity and they positively refused to consider the offer. We feel that your committee has done all in its power to obtain for the city a lower price on said plant and respectfully submit this as our report.

R. Rash., R. G. MacKenzie; Mayor;
Sub-committee of Special Water Committee.

Moved by Ald. Schultz, that council meet as a committee of the whole on next Friday night, in Board of Public Works room, at 7:30 o'clock to further consider the report of the special water committee.

Adopted as follows: Yeas, Ald. Schultz, Fiegel, Hanselmann, Prochnow, Koernke, Pipp, Flynn, Hubbard,