

Four Lakes Task Force

Gladwin and Midland Counties' Delegated Authority
of the Four Lakes Special Assessment District

Board Meeting

April 11, 2022



Four Lakes Task Force

Agenda

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- I. Call to Order
- II. Approval of Agenda
- III. Approval of December 7, 2021 Board Meeting Minutes
- IV. President's Report
 - I. Overview of Four Lakes restoration framework
 - II. Schedule
 - III. State grant and funding update
- V. Project Costs Estimate
- VI. Four Lakes Special Assessment District
 - I. Approval of assessment methodology
 - II. Delegation to set calendar and locations for hearings
 - III. Approval of operational computation of costs
- VI. Financial Performance
 - I. Approval of 2021 Yeo and Yeo audit report
 - II. Update on 2022 financial status
 - III. Decision not to pursue interim financing
 - IV. Approval of overall project costs and timeline
- VII. Other Business
 - I. Upcoming meetings
 - II. New business
- VIII. Public Comment
- IX. Adjourn

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President's Report

We are at another Inflection Point

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INFLECTION POINT:

A moment when significant change occurs or may occur; a turning point

2024-2026
Restored Lakes

March 30, 2022
\$200 Million
Grant

May 2021
May Restoration
Plan

**WE ARE
HERE**



May 19, 2020
Dam Failure

These lakes would never have been restored had the counties not rescued them from their owner and worked with the Four Lakes Task Force to recover and restore the dams.

Capital Assessment Estimates

Slide from December 2021 Board Meeting and Webinar Slide

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- Updated capital assessment estimates after notification on Michigan state funding grant size. We need to ground to major factors.
 - ▣ Funding from the state for restoration
 - ▣ Spending estimates versus May planning estimates
- If state funding is over \$100 million
 - ▣ There would not be a capital assessment on the dams before 2023
- If the \$250 million grant goes through
 - ▣ This would meet our current restoration estimate
 - ▣ Then the focus would be on managing costs to current estimates

**WE ARE
HERE**

The Four Lakes Are in Our Communities' Future!

Last slide of April 6, 2022, webinar

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- We have made significant progress since the May 19, 2020, dam failures!
 - ▣ Acquired the dams and lakes
 - ▣ Conducted emergency repairs and clean-up
 - ▣ Released from all lawsuits
 - ▣ Recovery is underway
 - ▣ Flood studies done
 - ▣ Restoration engineering underway
 - ▣ Major grant funding secured
 - ▣ We have a plan of finance
 - ▣ The project is on track!

**WE ARE
HERE**



~\$250 Million of Funds Received or Anticipated

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Source	Amount
State of Michigan and Michigan Economic Development Corporation	\$22.5 million (\$5 million granted pre-dam-failure_from MEDC + \$2.5 million grant for recovery + \$15 million grant for restoration)
Private Fundraising	\$5 million for general use
USDA Natural Resource Conservation Service (NRCS)	\$20-\$40 million for erosion, stabilization and debris removal, subject to matching grants from state and local funds
USDA Community Facilities Grant	\$750,000 for installation of booms on Secord and Smallwood lakes \$400,000 FEMA grant for engineering
State of Michigan 2022 Grant	\$200 million for restoration of the Four Lakes and dams
State of Michigan Grant to EGLE for FLTF	\$15 million for permitting, licensing, environmental projects (\$3 million to match ~\$9 million from NRCS EWP)

WE ARE HERE!

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1. The counties own the dams and lake bottoms
2. State, federal, and private donations have or will pay for:
 1. The acquisition of the property, recovery phase for of all four dams and lakes, the engineering of all four dams, and the consulting to get to the bidding and construction phase for all four dams.
3. State of Michigan has provided \$200 million to restore our lakes
 1. It was provided to the Four Lakes Task Force for the Special Assessment District under Part 307 to make the lakes affordable for all the Four Lakes' communities.

Principles for Financing

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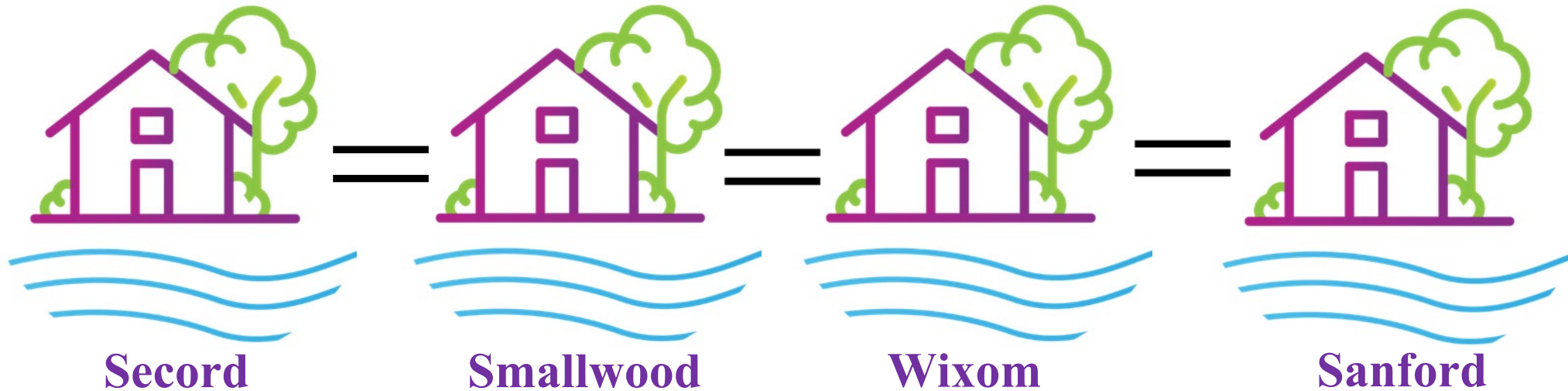
1. To fund all property owners to the point where construction can begin.
2. To apply grants to get the assessment to the lowest common capital assessment number based on benefit, with no lake paying more than they would if they financed on their own.
3. FLTF will do everything that can safely be done to remain under current project planning estimate of \$250 million.



What has changed?

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FINANCING AND MANAGING AS ONE SYSTEM IS LOWER COST TO THE PROPERTY OWNER THAN LAKE BY LAKE FINANCING WITHOUT THE STATE GRANT

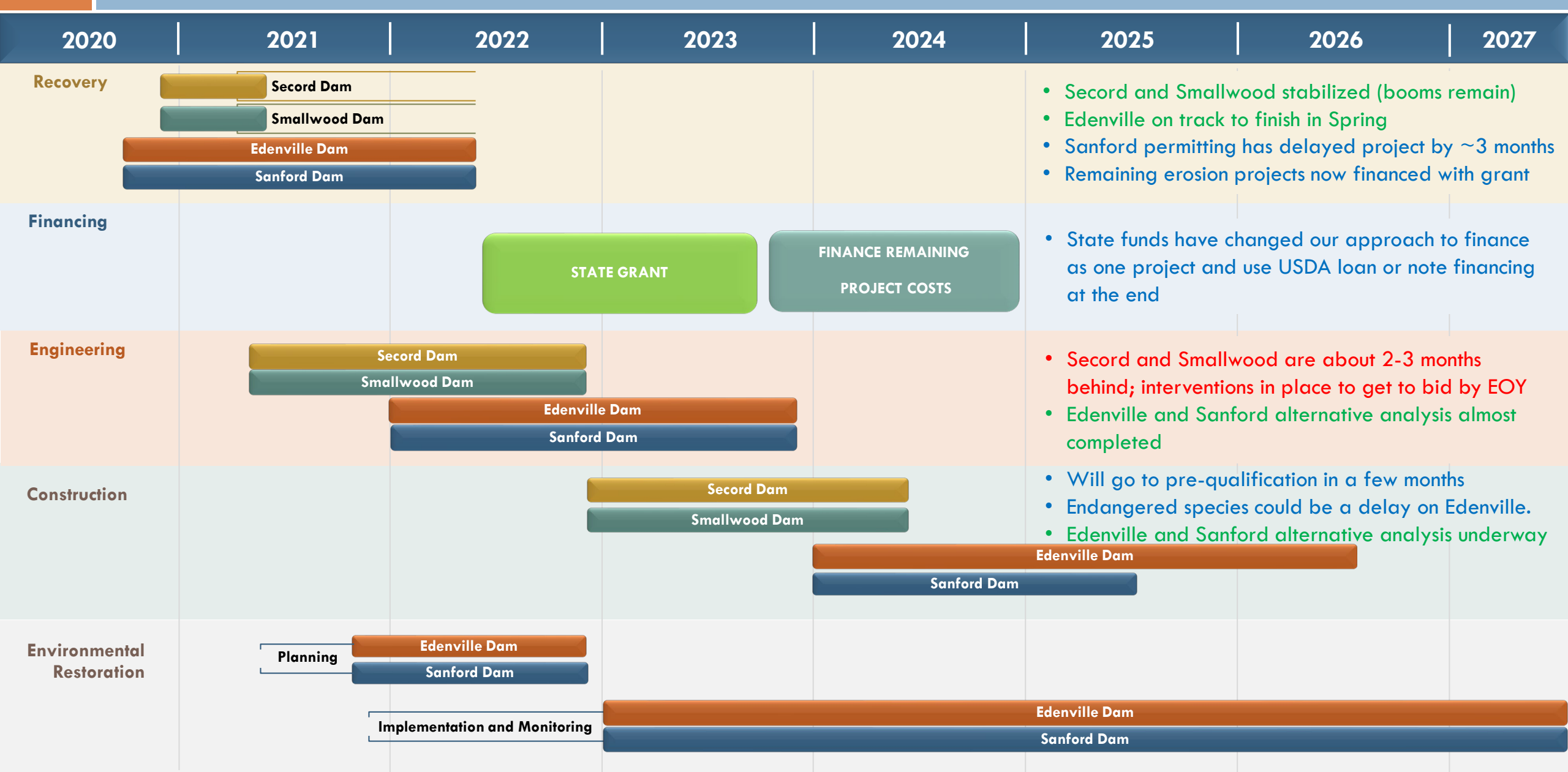


If one property lake has the same benefit factor (or allocation) as a property on another lake;
BOTH properties will have the same assessment amount.

Future 2024/2025 Capital Assessment Estimates

2024/2025 Estimated Capital Assessment (+/- 30%)	Sanford	Wixom	Smallwood	Secord
Repair Estimate	\$70,836,140	\$96,477,000	\$36,207,000	\$33,993,829
Assessable Parcels	1,412	2,685	598	1,599
Lake Front Assessments - NO STATE FUNDS				
Principal by Home (Lakefront)	\$50,161	\$35,932	\$60,517	\$21,266
Lake Front Property w 300 ft or less (OLD METHOD)	\$2,199	\$1,575	\$2,653	\$932
Lake Front Assessments- WITH STATE FUNDS factor of 1.0				
Principal by Home (Lakefront)	\$9,430	\$9,430	\$9,430	\$9,430
Lake Front Property Benefit Factor of 1 (proximation of old method)	\$460	\$460	\$460	\$460
Lake Front Assessments- STATE FUNDS Ave Assessment				
Principal by Home (Lakefront)	\$7,072	\$7,072	\$7,072	\$7,072
Lake Front Property Benefit Factor of .75(Average Assessment)	\$345	\$345	\$345	\$345

ON TRACK - Dam and Lake Restoration Timeline



- Secord and Smallwood stabilized (booms remain)
- Edenville on track to finish in Spring
- Sanford permitting has delayed project by ~3 months
- Remaining erosion projects now financed with grant

- State funds have changed our approach to finance as one project and use USDA loan or note financing at the end

- Secord and Smallwood are about 2-3 months behind; interventions in place to get to bid by EOY
- Edenville and Sanford alternative analysis almost completed

- Will go to pre-qualification in a few months
- Endangered species could be a delay on Edenville.
- Edenville and Sanford alternative analysis underway

Project Costs

New Lens for the property owner:

Given that we are funding the project with State funds first and that the last increment of funding in the plan will be a capital assessment:

A lake property owner's estimated assessment cost is NOT impacted by changes to the construction costs of your lake's dam, but BY THE cost estimate of the total project for all FOUR DAMS.

\$250 Million to Restore the Dams –

Planning Estimate HAS NOT CHANGED

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- ❑ Total planning estimate is \$250 million (Range: \$230-\$270 million)
- ❑ Northern dams are estimated higher than May 2020 estimate range
 - Edenville and Sanford in May 2020 Range
- ❑ Report will be released this week on current estimates

	Restored In	Total Cost ¹³
Secord Dam	2024	\$33.9 million
Smallwood Dam	2024	\$36.2 million
Edenville Dam	2026	\$96.5 Million
Sanford Dam	2025	\$70.8 million
TOTAL		\$237.4 million

Changes Since March 2021 Estimates

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Estimated Increases or Adds

- ❑ Unit price and volume on all dams
 - ❑ More concrete and structure
 - ❑ More embankment
- ❑ Cofferdams -Secord and Smallwood
- ❑ Low level outlet
 - ❑ Added for winter operations
- ❑ Powerhouses
 - ❑ Flood proofing, access, demolish, rebuild
- ❑ Auxiliary spillways updates
 - ❑ More concrete
- ❑ Additional contingencies

Estimate Decreases

- ❑ Seepage cutoff walls
 - ❑ soil cement bentonite not sheet pile
- ❑ Cofferdams - Edenville/Sanford
- ❑ Embankment - Edenville/Sanford
 - ❑ interim stabilization management
- ❑ Demolition – Edenville/Sanford
- ❑ Parapet wall on Edenville

Four Lakes Restoration Project Costs Estimates

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- ❑ The May 2021 Restoration Plan
 - ❑ Restoration at \$215 million, with a sensitivity of +/- 25 percent, and a planning estimate was set at \$250 million
- ❑ Total April 1, 2022, engineering estimate
 - ❑ \$214,336,000 to \$275,177,000 with a Middle Limit of \$237,515,000
- ❑ **Project costs for planning purposes is remains set at \$250 million**
 - ❑ In a range of cost estimates between \$230 and \$270 million
 - ❑ Given the market volatility and unknowns, the lower limit is not as likely to be achieved as the middle limit. Likewise, the sum of the projects will likely not all come to the upper limit

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Four Lakes Special Assessment District

Operations Assessment – Computation of Costs*

		Total 3 year	2022	2023	2024
1	Expense of Maintenance of the Lake Level Structure				
	Program Office (Finance, Admin, Communications, Legal)	\$1,140,000	\$360,000	\$380,000	\$400,000
	Dam and Lake Operations	\$2,370,000	\$750,000	\$790,000	\$830,000
2	Establishment of Special Assessment District	\$465,000	\$425,000	\$20,000	\$20,000
	Preparation of Assessment Roll and Levying Assessments				
	Estimated Cost of Mailing, Publishing, Notices				
	Estimated legal fees				
3	Acquisition	\$80,000			
4	Estimated Cost of Appeal	\$25,000	\$25,000		
	Gross Sum of Expenses	\$4,080,000	\$1,560,000	\$1,190,000	\$1,250,000
	Contingency 15%	\$612,000	\$234,000	\$178,500	\$187,500
	Assessment Total Sum	\$4,692,000	\$1,794,000	\$1,368,500	\$1,437,500
	Annual Assessment Amount	\$4,692,000	\$1,564,000	\$1,564,000	\$1,564,000

*Presented at the last FLTF board meeting

Apportionment Methodology

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- ❑ Since last meeting, further consideration has been given to:
 - ❑ Calculation of lake frontage and frontage benefit factor
 - Focus on properties with irregular lots and frontage
 - ❑ Water depth factor
- ❑ Portion project cost to local municipality (At-large Assessments)
 - ❑ Recommendation that Gladwin and Midland Counties each approved a 3% assessment for Operations
 - ❑ Recommendation that Village and Townships that have property in the SAD share a 3%, spread based on benefits on parcels



Operations Assessment Examples – Front and Back Lots

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EXAMPLE 1 – Front Lot

- Residential lakefront property
- 100 ft. of frontage
- Water view less than 230 ft.
- Water depth greater than 4 ft.

Est. annual assessment: \$180

Depending on the factors outlined above, front lots will range from \$130-240



EXAMPLE 2 – Back Lots

- Residential back lot property
- Deeded lakefront access location (i.e., lot with access)

Est. annual assessment: \$70

Depending on the factors outlined above, backlots will range from \$60-120

Planning Level Operations Assessments

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- ❑ **Estimated Operations Assessment each year, for three years**
 - ❑ In all scenarios these assessments are less than if a lake financed the property on its own without state funding

Assessment	Yearly Assessment
High End of Range (1)	\$240
Average Assessment (.75)	\$180
Low end of Range (.25)	\$60

Yearly Assessment Range	Percent of Properties
\$240 or Greater	9%
\$180 to \$240	52%
\$60 to \$180	39%

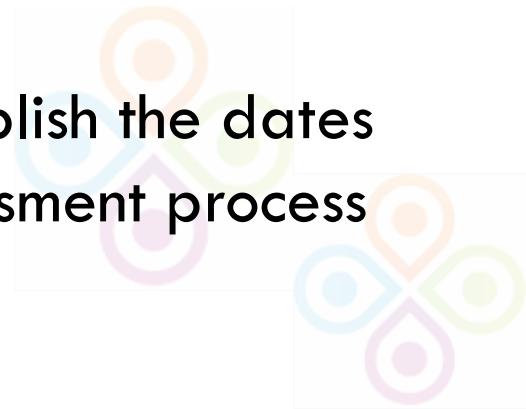
Special Assessment District Timeline



Approvals for Four Lakes Special Assessments

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- ❑ The Board approved in December, the Special Assessment implementation plan
- ❑ We now ask for:
 - ❑ Approval for the Secretary and President to establish and publish the dates and locations necessary to conduct the Part 307 Special Assessment process this year
 - ❑ Approval of the Four Lakes Assessment Methodology



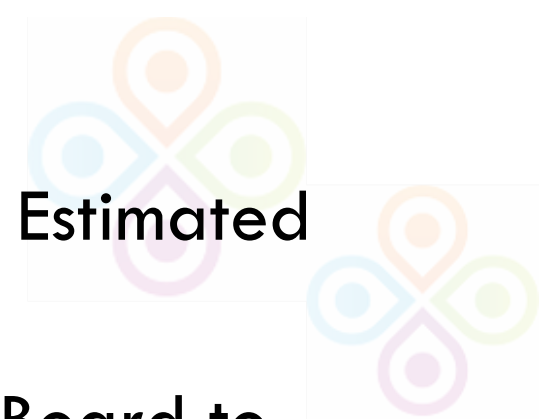
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Financial Update

Financial Update

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- ❑ Based on discussion with the State Treasurer, management is recommending that we DO NOT pursue a Grant Anticipation Note at this time
 - ❑ Treasurer's update on next quarter's cashflow
- ❑ Management recommends the board approve the Project Estimated Planning Costs of \$250 million and the Financing Plan
- ❑ Finance Committee has reviewed and recommends to the Board to approve the 2021 Yeo and Yeo Audit Report and its submission with our Financing Plan to the counties



2022 Board Meeting Schedule

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- Tuesday, July 26th 5:00pm-7:00pm
- Tuesday, October 11th 5:00pm-7:00pm
- Tuesday, December 13th 5:00pm-7:00pm

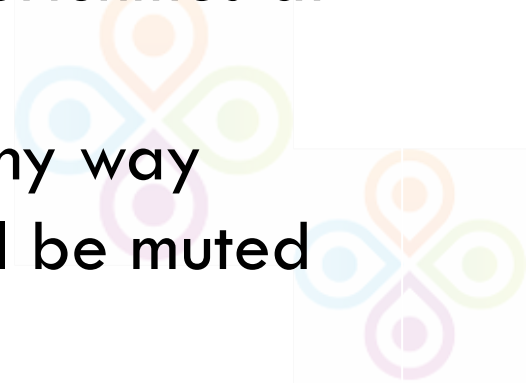
We will have periodic communications webinars in addition to board meetings - details to come throughout the year.



Public Comment

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1. Public comment will be taken. Those joining live may go to the podium
2. Because of time restrictions we will only allow individuals to make one comment. If time allows, we will give people additional opportunities at the end.
3. Any commenter who is disrespectful, slanders another, is in any way inappropriate or otherwise refuses to follow the protocol will be muted or asked to leave the microphone



Comment Timer

Please state your name, address and lake.

00 : 02 : 00

Change Clock Type
Digital

Duration: 00 02 00

TimeUp Reminder (Optional): 00
00 15

Choose Sound Effect Tick

Choose TimeUp Sound Alarm

Enable Count Up Combine With Bar Clock



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Thank you for joining us!



Board Meeting Appendix

Four Lakes Restoration Plan: Status Update

A feasibility study and Restoration Plan for the restoration of the lakes was completed and published in May of 2021. It outlined the Recovery Phase with a cost of approximately \$50 million. The study estimated a cost for to Restore the Four Lakes and their dams and ecosystems at \$250 million. This report is an update on the progress made on the Restoration Plan. For planning purposes, the financing plan remains set at \$250 million assuming a total project cost between \$230 and \$270 million.

The State of Michigan recently approved a significant appropriation for \$200 million to assist in the restoration of these Four Lakes. This is assurance that the Recovery effort and engineering of the Restoration are fully funded. The repair and restoration of the dams is significantly funded.

In 2022 there will be an Operations Assessment implemented for the management, operations and program costs. In this Operations Assessment, lakefront owners will be on average \$180/year, and all backlot owners will be below \$120.

The schedule remains unchanged for having Secord and Smallwood dams restored in 2024, Sanford Dam in 2025 and Edenville in 2026.

Progress and the relevant chapters of the Restoration Plan have been updated to reflect the new developments in the Financing Plan.

Restoration Cost Phase Estimates

Cost Estimates as of
April,1 2022



April 1, 2022, Restoration Phase Cost Estimates

	30% Design April 2022	Current Design Restoration Estimates		
Dam	Total Estimated Cost (30% Design)	Lower Limit	Base Cost	Upper Limit
Secord	\$25,136,000	\$31,179,222	\$33,993,829	\$38,215,741
Smallwood	\$17,939,000	\$33,206,896	\$36,207,529	\$40,708,478
Edenville (includes Tobacco)	\$120,973,000	\$86,554,349	\$96,477,332	\$113,015,637
Sanford	\$51,200,000	63,395,240	\$70,836,140	\$83,237,640
Estimated Total	\$215,248,000	\$214,335,707	\$237,514,830	\$275,177,495

Notes:

- Secord Dam (SCD) and Smallwood Dam (SWD)
 - Class 3 Upper Limit (+15%)
 - Class 3 Lower Limit (-10%)
 - Include costs for utility relocation, environmental/ wetland mitigation, electrical, mechanical, site civil and permit conditions (Not included in 30% costs)
- Edenville Dam (EDN) and Sanford Dam (SFD)
 - Class 4 Upper Limit (+25%)
 - Class 4 Lower Limit (-15%)
 - Additional contingency included to cover design items not yet developed (currently at 30%)
 - Include costs for utility relocation, environmental/ wetland mitigation, electrical, mechanical, site civil and permit conditions (Not included in 30% costs)

Updated Costs

- Main Driver of cost increase at SCD / SWD is the addition of auxiliary spillway concrete / Roller Compacted Concrete (RCC) following detailed design and Semi-Quantitative Risk Analysis (SQRA)
 - 30% Design: Assumed rock discharge channels downstream of stilling basins.
 - 60% Design: RCC / Concrete needed to safely pass the Inflow Design Flood (IDF)
 - High Flows + small property footprint = adverse hydraulic conditions
 - Results of SQRA: Largest auxiliary spillways (maximize discharge capacity) to minimize risk downstream
 - Flow conditions and site footprint more favorable at EDN & SFD
 - Construct new auxiliary spillway in breach channel

1.0 Current Restoration Phase Cost Estimates

- **Secord Dam (cost increase)**
 - Increased cost in cofferdam design following Tobacco Dam (TBO) interim stabilization work
 - Increase unit price and volume of primary spillway and powerhouse concrete
 - Larger downstream primary spillway stilling basin following Computational Fluid Dynamic (CFD) model results
 - Modification of auxiliary spillway from concrete flashboard with downstream rock channel to RCC side channel spillway following the SQRA and Value Engineering efforts
 - Increase in embankment fill from downstream slope of 2.5H:1V to 3.0H:V, and extension of freeboard dike to Lakeshore Drive
 - Decrease in seepage cutoff wall costs (Soil Cement Bentonite (SCB) vs Steel Sheet Pile (SSP))
- **Smallwood Dam (cost increase)**
 - Increased cost in cofferdam design following TBO interim stabilization work
 - Increase unit price and volume of primary spillway and powerhouse concrete
 - Larger downstream stilling basin following CFD model results
 - Altering the auxiliary spillway footprint (150-feet to 180-feet) following Risk Assessment (SQRA)
 - Addition of SSP / concrete training walls downstream of auxiliary spillway stilling basin
 - Addition of concrete drop structure to the Tittabawassee Dam (TBW) River tailrace

	30% Design April 2022	Current Design Restoration Estimates		
Dam	Total Estimated Cost (30% Design)	Lower Limit	Base Cost	Upper Limit
Secord	\$25,136,000	\$31,179,222	\$33,993,829	\$38,215,741
Smallwood	\$17,939,000	\$33,206,896	\$36,207,529	\$40,708,478

April 1, 2022

1.0 Current Restoration Phase Cost Estimates

- **Edenville Dam (cost decrease)**
 - Significant reduction in assumed cofferdam design following interim stabilization construction
 - Reduction in demolition / abandonment following interim stabilization design
 - Decrease in TBW right embankment costs following interim stabilization construction
 - Decrease in seepage cutoff wall costs (SCB vs SSP)
 - Increase in TBW and TBO primary spillway structures (i.e., concrete volumes, gate costs, addition of Low-Level Outlet (LLO))
 - Additional contingency included to cover design items not yet developed
 - Decrease in embankment fill with addition of parapet wall (for IDF freeboard)
- **Sanford Dam (cost increase)**
 - 30% IDF Increased from 45,000 cfs to 55,000 cfs resulting in greater capacity requirement on the auxiliary spillway
 - Low-Level Outlet moved from the powerhouse due to lessons learned from the SCD/SWD detailed design and construction risk
 - Embankment and spillway was evaluated, and design alternative resulted in change to RCC overtopping protection
 - RCC auxiliary spillway and overtopping protection increases the resiliency of the structure from the 30% Design
 - Additional contingency included to cover design items not yet developed

	30% Design April 2022	Current Design Restoration Estimates		
Dam	Total Estimated Cost (30% Design)	Lower Limit	Base Cost	Upper Limit
Edenville	\$120,973,000	\$86,554,349	\$96,477,332	\$113,015,637
Sanford	\$51,200,000	63,395,240	\$70,836,140	\$83,237,640

April 1, 2022

Definitions

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❑ Dam Abbreviations

- ❑ SCD – Secord
- ❑ SWD – Smallwood
- ❑ EDN – Edenville
 - TBO – Tobacco side of Edenville
 - TBA – Tittabawassee side of Edenville
- ❑ SFD – Sanford Dam
- ❑ SAD – Special Assessment District

❑ Engineering term

- ❑ RCC : Roller Compacted Concrete
- ❑ CFD : Computational Fluid Dynamic
- ❑ SSP : Steel Sheet Pile
- ❑ SCB : Soil Cement Bentonite
- ❑ SQRA: Semi-Quantitative Risk Analysis
- ❑ IDF : Inflow Design Flood
- ❑ LLO : low level outlet

Assessment Background

Special Assessment Methodology:

https://www.four-lakes-taskforce-mi.com/uploads/1/2/3/1/123199575/flsad_methodology_4.7.22.pdf

Capital Assessment Examples – Front and Back Lots

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EXAMPLE 1 – Front Lot

- Residential lake front property
- 100 ft. of frontage
- Water view less than 230 ft.
- Water depth greater than 4 ft.

Est. annual assessment: \$345

Depending on the factors outlined above front lots will range from \$250-460



EXAMPLE 2 – Back Lots

- Residential back lot property
- Deeded lakefront access location (i.e., lot with access)

Est. annual assessment: \$180

Depending on the factors outlined above backlots will range from \$115-230

Planning Level Capital Assessments

- **Estimated Capital Assessment of \$60 million with 30-year financing at 3 percent interest**
 - In all scenarios these assessments are less than if a lake financed the property on its own without state funding

Assessment	Principle Payment	Yearly Assessment
High End of Range (1)	\$9,430	\$460
Average Assessment (.75)	\$7,075	\$345
Low end of Range (.25)	\$2,360	\$115

Yearly Assessment Range	Percent of Properties
\$460 or Greater	9%
\$345 to \$460	52%
\$115 to \$ 345	39%

91% of residential parcels fall between a .25 and 1

Capital Assessment Cost Sensitivities

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- ❑ **Increase in construction costs.** As design engineering efforts continue in the coming years, these construction planning estimates will be revised with greater certainty and could increase or decrease. The current estimate of \$250 million includes a confidence range from \$230 to \$270 million. For a parcel with a factor of 1, a cost increase or decrease of \$20 million would mean +/- \$60 annually
- ❑ **Financing Term.** The current Capital Assessment estimates assume 30-year financing, should FLTF ultimately have the ability to seek other financing and a 40-year financing term is realized, annual assessment costs could decrease by approximately \$60 for a parcel with a factor of 1
- ❑ **Increase in Interest rates.** FLTF is assuming a 3% interest rate. This could be higher or lower. On a per parcel basis for a parcel with a factor of 1, an increase in interest rates of 1.5 percent would cause a cost increase of approximately \$50 per parcel

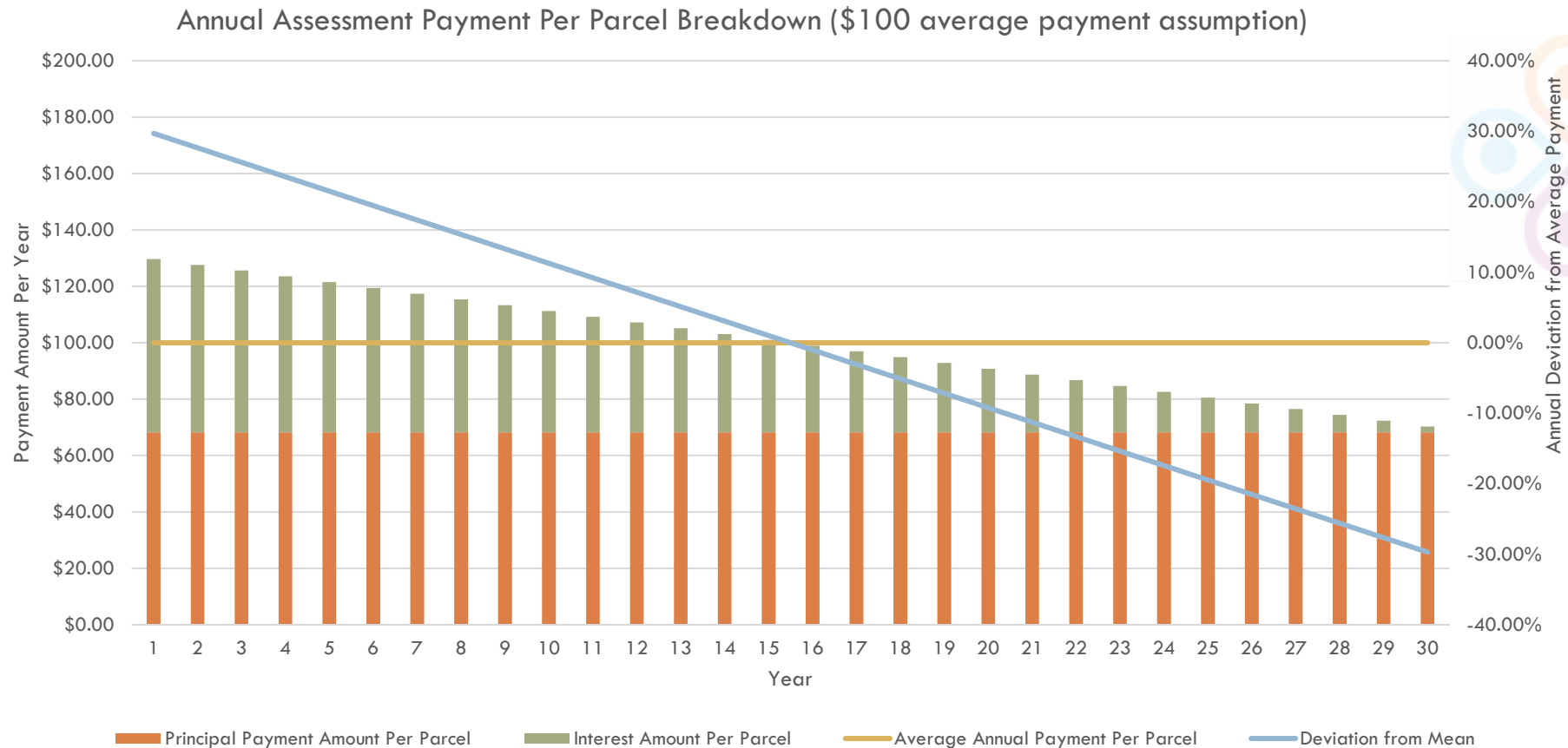
NOTE:

- ❑ *IT WOULD TAKE ALL THREE OF THESE EVENTS TO HAPPEN TO GET THE AVERAGE ANNUAL CAPITAL ASSESSMENT TO OVER \$500/year*
- ❑ *LIKEWISE, a lower interest rate and/or project costs, could bring the number to less than \$250/year*

Variation in Annual Assessment- Payments are not like home mortgages

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- 1st annual payment will be about 30% higher than the average payment
- Last payment will be about 30% lower than the annual payment



In Summary on Assessments

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- \$50 million for the Recovery phase and \$250 million for Restoration
 - ▣ We are still in our planning range and schedule
- The \$200 million grant was a game-changer for affordability
 - ▣ A Capital Assessment starting in 2024/2025
- There is a 2022 to 2024 Operations Assessment
 - ▣ It will be followed by another Operations Assessment in 2025
 - ▣ We are engaged in a process to implement this in 2022
- There will be a PSC Survey – delivered to homes next week

