

# Four Lakes Task Force

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

## August Monthly Informational Webinar

**August 10, 2023**



**Four Lakes Task Force**

# This is an Information Session

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- This meeting is being held virtually to accommodate as many people as possible
  - This is not a board meeting or hearing – no formal action will occur
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- Please use the Q&A feature in GoToWebinar or email questions to [info@fourlakestaskforce.org](mailto:info@fourlakestaskforce.org) and we will answer questions during the meeting and at the end



# Communication Meeting Format

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- These meetings are focused on keeping the community informed and providing an opportunity to ask questions
  - ▣ We will have one or two primary subjects
- Today's question: **What is the project cost and how will it be financed?**
- At the end, we will leave time to answer questions on other topics



# Lake Restoration Objectives and Risks

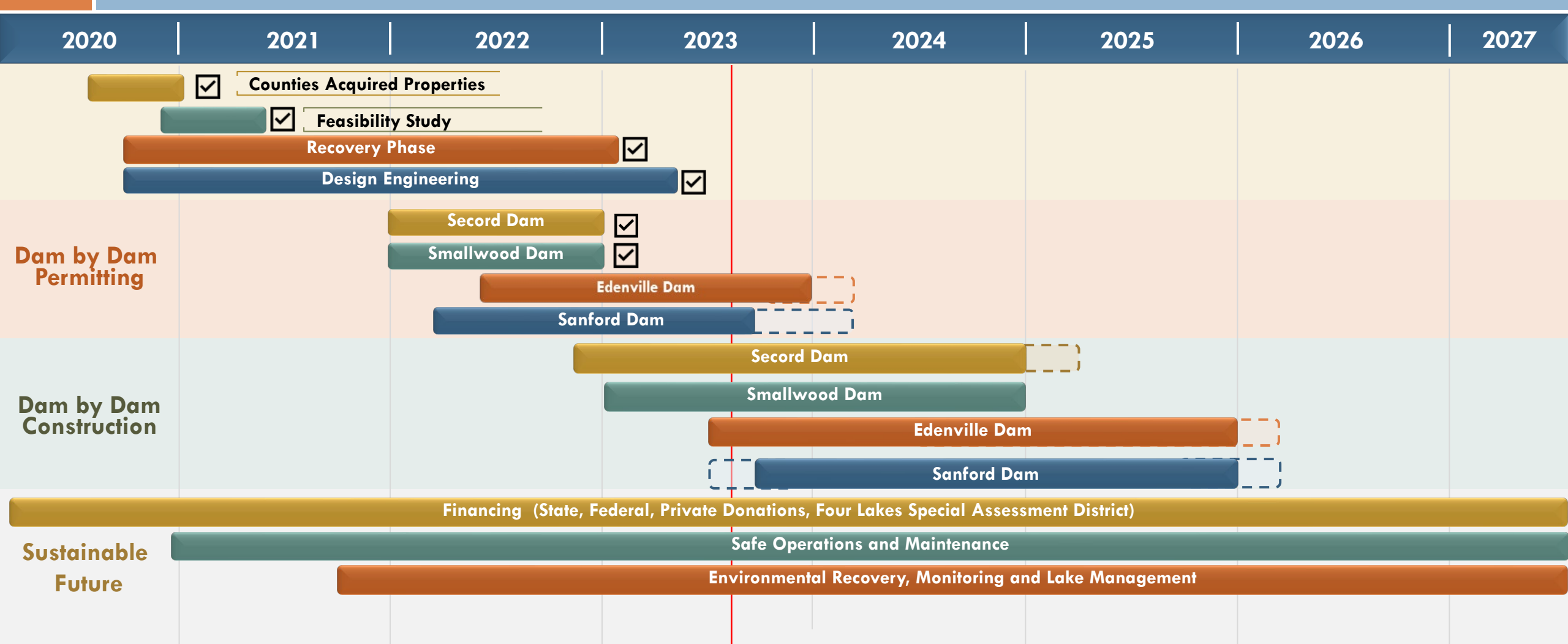
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- Four Lakes Task Force restoration objectives:
  1. Return all four lakes to their normal (legal) lake levels
  2. Put in place a sustainable structure to manage and maintain the four dams to ensure a sustainable lake system
  3. Establish an environmental and recreational plan that can be managed by each lake's community

*Requires the Four Lakes to be managed as one system*



# Dam Restoration Timeline



— Where we are now

⌋ Shaded rectangle indicates uncertainty in permitting and contracting

# Balancing Project Execution and Risk

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## Project Execution



- Managing project risks
  - No tolerance for catastrophic failure
  - Worker and public safety
  - Protecting the environment
  - Affordable long-term cost of ownership
- Headwinds
  - Inflation of materials
  - Interest rates
  - Construction market
  - Complex regulatory environment
- Tailwinds
  - Leveraging of regional resources
  - Federal (U.S. Army Corps) loan opportunity
  - Alignment with the community, county and government stakeholders and representatives

# Current 2022-2024 Operational Assessment

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- 2022-2024
  - ▣ 2022 managed below budget without utilizing contingency
  - ▣ 2023 on budget
  - ▣ High confidence the assessment will remain on budget

Four Lakes Task Force SAD Budget Summary



Four Lakes Task Force

Project Area	Total Spend 2022	2023 Budget	2024 Forecast	Total Forecasted Spend
Special Assessment District - O&M expenses	\$1,399,810	\$1,430,000	\$1,250,000	\$4,679,810
<b>Total</b>	<b>\$1,399,810</b>	<b>\$1,430,000</b>	<b>\$1,250,000</b>	<b>\$4,679,810</b>

- 2025 and beyond
  - ▣ Considering submitting a new Operational Assessment next year with the Capital Assessment. This would allow those in the district to understand the ongoing total costs post-restoration

# Capital Assessment Timeline Expectations

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FLTF is waiting on USACE preliminary applications to be released

Approximately 10 months after the preliminary applications are released, if approved, an organization could receive funding



FLTF plans to begin the process for a Capital Special Assessment December 2023; Public hearing and county meetings likely to begin January 2024

Webinars will be scheduled to keep the public informed and define the SAD process in November



Computation of cost will be available in December 2023

Estimate will be completed after final bids for Sanford are received and the project estimate for Edenville is updated



The annual capital assessment may occur around the timing of lakes filling

This will be based on the type of financing achieved – more on that in a later slide



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# Project Budget

Presenters: Dave Kepler, President, and Kayla Stryker, Treasurer and Administrator

# What is Happening in the Market

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## 2022 Estimates

- ▣ \$250 million project estimate
  - \$230 to \$270 million range
- ▣ Capital Assessment estimate was \$60 million
  - \$40 to \$80 million range
- ▣ Financing assumed
  - 30-year municipal financing at 3 to 3.5%

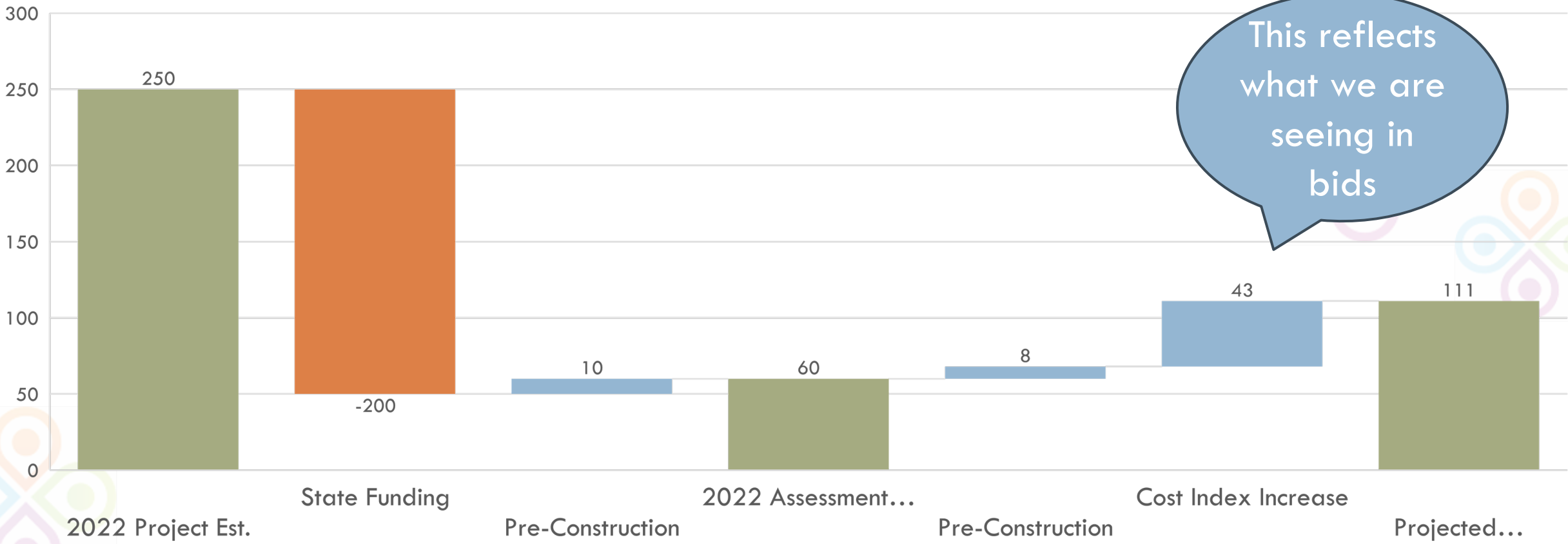
## 2023 Realities

- ▣ Last two years
  - Year-over-year construction costs increased by ~15% each year
- ▣ Bi-partisan infrastructure bill
  - Michigan will receive ~ \$11 billion in next three years
- ▣ Interest rates have increased
  - 30-year municipal financing rate now estimated around 6%

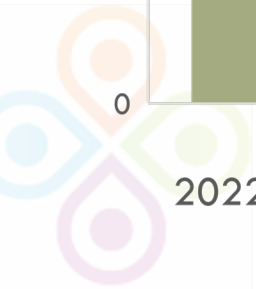
# Projected Assessment Based on Market Changes

Estimate in Millions of Dollars

■ Increase ■ Decrease ■ Total



This reflects what we are seeing in bids



# Project Experience

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## Bid Experience

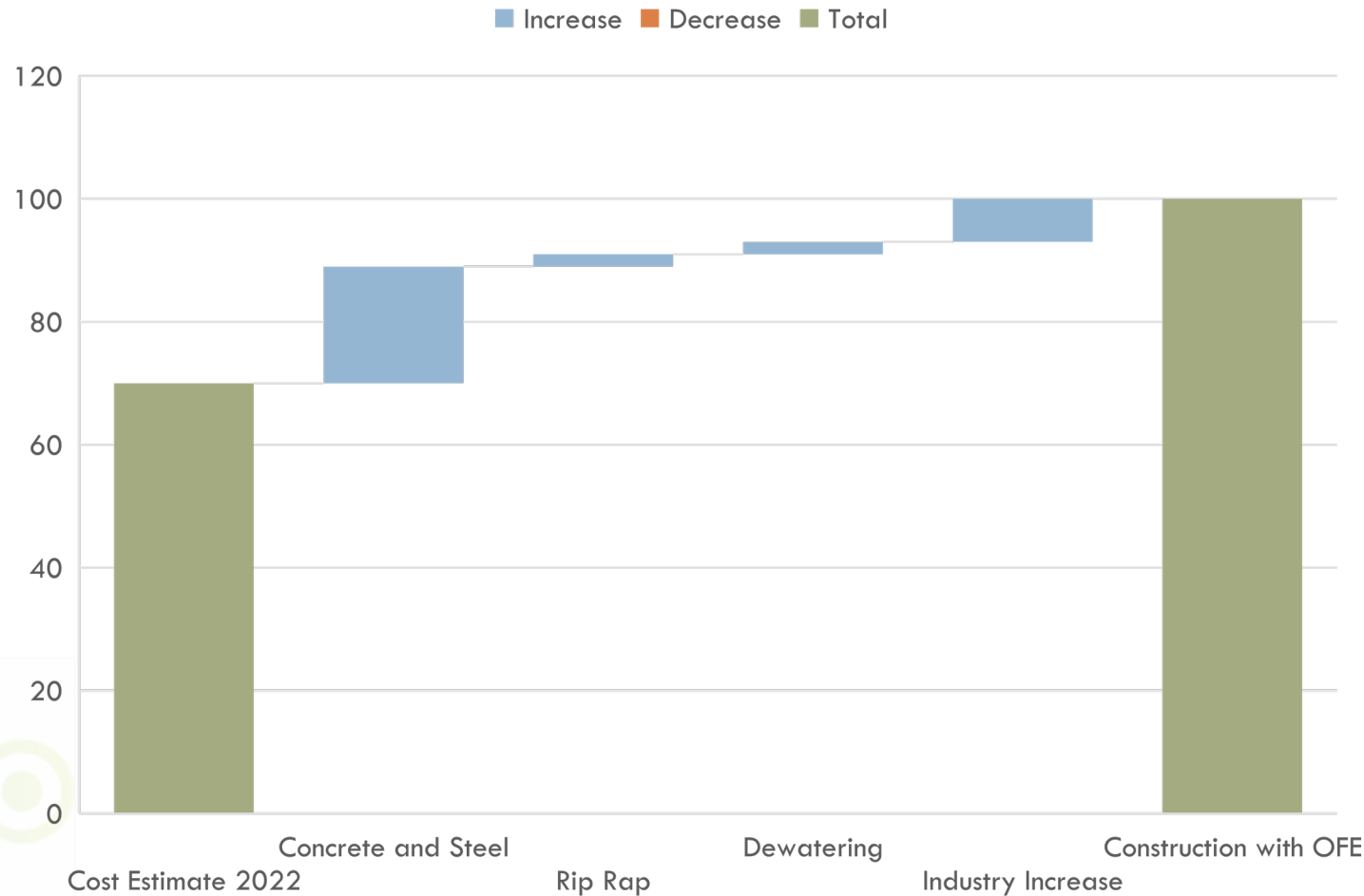
- Secord and Smallwood were \$29 million over estimate
- Sanford is getting rebid as it was \$30 million over estimate
  - ▣ Bids rejected and rebidding through Spence Brothers
  - ▣ Fisher bids were accepted for part of the project

## Not All is the Market

- \$8 million over on pre construction
  - ▣ Design engineering and permitting
  - ▣ Federal grants less than expected
- \$4 million on technical issues on Secord
- Upsides as well
  - ▣ \$4-6 million potential savings on value engineer post design

# Secord and Smallwood Cost Estimate

Secord and Smallwood Cost Estimate



- ❑ Bids at Secord and Smallwood came in higher than was estimated
- ❑ Three key reasons
  - ❑ Cost of concrete and steel
  - ❑ Market price increases
  - ❑ Dewatering costs

# Financing Types

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## Municipal Financing

- Interest rate - ~6%
- Equal Principal Payment model
  - ▣ Results in higher payments at start of assessment for homeowners
- 30- or 40-year terms available, 40-year leading to higher interest rate
- May be hard to obtain

## USACE CWIFP Program

- Interest rate – treasury rates plus one basis point
  - ▣ 3.65% current
- Principal can be structured according to need
- 35-year terms available
  - ▣ Interest-only payments throughout construction
- No prepayment penalties

# Corps Water Infrastructure Financing Program (CWIFP)

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- The final program rule for CWIFP was published in the Federal Register on May 22nd, 2023
  - ▣ USACE is working diligently to begin issuing loans to qualified non-federal borrowers. \$7 billion of funds available
  - ▣ USACE has indicated that Four Lakes is very likely to qualify
- OMB (Office of Management and Budget)
  - ▣ Needs to sign off on the program process and has not yet
- Without this program, financing will be through municipal financing
  - ▣ This would add over 30% in financing costs to property owners in the SAD



# Summary

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- Computation of costs will be communicated in December
  - ▣ Communication for the Capital Assessment will start in October and end with a hearing in February 2024
- Without the USACE CWIFP financing:
  - ▣ The financing costs could be 30+% higher
  - ▣ It is a critical issue
- Project costs could double the capital assessment
  - ▣ \$100 million in grants are being pursued to offset cost increases





## General Questions and Answers

Please use the Q&A feature in GoToWebinar or email questions to [info@fourlakestaskforce.org](mailto:info@fourlakestaskforce.org) and we will address as many questions as we can



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Thank you

## Upcoming Communications

- **October 12<sup>th</sup> webinar** | Project Update
- **October 24<sup>th</sup>** | Board meeting

2020-2022 High Level Interim Expenditures prior to Construction						
	State of Michigan	Federal	Private Donations	Homeowner Share	SAD	Total Expenditure
Recovery	\$ 12,146,317	\$ 19,899,473		\$ 691,880		\$ 32,737,670
Preconstruction Restoration	\$ 20,616,737		\$ 1,368,486			\$ 21,985,222
O&M	\$ 855,211		\$ 875,812		\$ 1,399,810	\$ 3,130,834
<b>Total Spent on interim by source</b>	<b>\$ 33,618,265</b>	<b>\$ 19,899,473</b>	<b>\$ 2,244,298</b>	<b>\$ 691,880</b>	<b>\$ 1,399,810</b>	<b>\$ 57,853,726</b>

<b>Total State of Michigan Spent on Recovery and Preconstruction Restoration</b>	<b>\$ 33,618,265</b>	Total Spending 2020-2022
<b>Less Preconstruction Allowance</b>	<b>\$ (25,000,000)</b>	This includes the \$15M SOM grant from 2020 and the \$10M preconstruction allowance set aside from the \$200M 2022 SOM grant
<b>Less Recovery Allowance</b>	<b>\$ (5,500,000)</b>	This includes the \$2.5M SOM grant from 2020 for Recovery and the \$3M 2022 EGLE Grant for recovery
<b>Overage on estimate</b>	<b>\$ 3,118,265</b>	Given the current funding allocation, this is the amount FLTF is currently over the target SOM preconstruction funding
<b>Anticipated 2023/2024 Recovery and Preconstruction expenditures</b>	<b>\$ 4,000,000</b>	These are costs FLTF has budgeted for 2023/24 preconstruction expenditures related to engineering
<b>Total overage on State of Michigan Preconstruction Allowance</b>	<b>\$ 7,118,265</b>	2020-2022 costs and 2023-2026 Forecasts considered, this is the total amount FLTF is over goal on SOM preconstruction Funding

Restoration Construction Funding	
	<b>State of Michigan</b>
<b>Amount to apply on Restoration</b>	\$ 190,000,000
<b>Less interim overage</b>	\$ (7,118,265)
<b>Net amount applicable to restoration</b>	\$ 182,881,735