

# Four Lakes Task Force

## Special Assessment District

### Public Hearings for Financing / Bonds

Midland and Gladwin Counties



Four Lakes Task Force

January 17 and 18, 2020

# Public Hearing for Financing / Bonds

On December 31, 2019,  
Four Lakes Task Force  
signed a purchase agreement with Boyce Hydro

Today's meeting: Review plan of financing  
for Four Lakes Task Force, including issuance  
of notes and bonds by the Special Assessment District

# Purpose and Key Message

- The purpose of this meeting:
  - ▣ Is to provide an update
  - ▣ Review current cost estimates
  - ▣ Review financing needs
  
- Key message on estimates:
  - ▣ Construction costs have increased
  - ▣ Power generation revenues are forecasted to be better
  - ▣ Best estimate for the assessment for a residential lake lot is still \$350

# Purchase Agreement

- Boyce Trusts and Four Lakes Task Force (FLTF) signed a \$9.4 million purchase agreement for the acquisition of Edenville, Sanford, Secord and Smallwood dams and lake bottoms
- This is a major milestone in maintaining the legal level of all four lakes in accordance with the Circuit Court order and Part 307 of the Michigan Natural Resources and Environmental Protection Act
- The sale of properties will occur over the next two years, with a final close for all properties in January 2022



## Boyce Hydro, Four Lakes Task Force Sign Purchase Agreement *Purchase Expected to Be Final by Early 2022*

Today, Boyce Trusts and Four Lakes Task Force (FLTF) signed a \$9.4 million purchase agreement for the acquisition of Wixom, Sanford, Secord and Smallwood Dams and lake bottoms. The purchase agreement is a major milestone in maintaining the legal level of all four lakes in accordance with the Circuit Court order and Part 307 of the Michigan Natural Resources and Environmental Protection Act. The sale of properties will occur over the next two years, with a final close for all properties in January 2022.

“This is an important step forward in bringing control of the lake levels and dams to the communities,” said Dave Kepler, chairman, FLTF. “We are grateful for the assistance and support from state and county leaders, township officials and lake residents. There is still a great amount of work to do before the closing in early 2022, including the implementation of the [Special Assessment District \(SAD\)](#) and conducting dam maintenance and repairs, but we are confident about this strong path forward.”

Circuit Court Judge Stephen Carras [legally established the SAD May 28, 2019](#), for the purpose of financing the acquisition, repairs and Part 307 order requirements. Major repairs and improvements will occur on all four dams over the next three years with an engineering estimate to be completed by the end of 2020. The current estimate is that a lakefront property owner will pay an annual assessment of \$350 and a backlot property owner will pay \$88. After a public SAD hearing, FLTF will calculate and finalize the assessment by early 2021. Property owners can expect to see the first assessment on the winter 2021 tax bill.

In addition, Four Lakes Operations (FLO) will acquire the power assets from Boyce for \$6.6 million to produce hydroelectric energy. This amount is in addition to the purchase of the dams and lake bottoms and is expected to be financed by revenue from power generation. FLO is a separate corporation formed to find a new private power generation operator and to manage the renewal of the power generation licenses awarded by the Federal Energy Regulatory Commission (FERC) and the Consumer’s Energy Power Agreement. This investment in the power generation assets is intended to keep the long-term cost of dam ownership for the community as low as possible.

In January 2020, FLTF will turn over operations oversight of the four dams to FLO, however, Boyce will continue to operate the dams through January 2022 as financing of the project completes.

For more information, go to the [FLTF website](#) or contact Stacey Trapani at [stacey@trapanicomm.com](mailto:stacey@trapanicomm.com) or by phone at 989-839-7362.

# County and Four Lakes Structure

Counties	"Four Lakes Task Force"	"Four Lakes Operations"	"Independent Operator"
<p>Gladwin</p> <p>Midland</p>	<ul style="list-style-type: none"> <li>• <i>The <b>Part 307 Delegated Authority</b> for Gladwin and Midland Counties in the management of the Four Lakes system</i></li> <li>• <i>A 501(c)(3) non-profit LLC</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Owns FERC Licenses and Consumer's Energy Power Agreement</i></li> <li>• <i>A Corporation, with Shares Originally owned by FLTF.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i><b>Owns/Leases and Operates Power Assets and Lake Level</b></i></li> <li>• <i>Boyce is in this position in 2020-2022 and will transition to a new operator in January 2022</i></li> <li>• <i>Expected to be a private company(s)</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>By 2022 Owns Lake Level Real Assets and leases those assets to the <b>Part 307 Delegated Authority</b></i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Contracted with the counties as the Part 307 Delegated Authority</i></li> <li>• <i>May receive grants from public and private sources</i></li> <li>• <i><b>Leases "water power" to Four Lakes Operations</b></i></li> </ul>	<ul style="list-style-type: none"> <li>• <i><b>Contracted by Four Lakes Task Force for operations via an independent operator</b></i></li> <li>• <i>Funded outside of the Special Assessment Districts</i></li> <li>• <i>2020-2022 accountable for financing Acquisition Power Assets</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i><b>Operating agreement with Four Lakes Operations</b></i></li> <li>• <i>The New Operator will likely Lease or Purchase some or all of the Power Assets and be Responsible for Repairs of Power Generating Equipment</i></li> </ul>

As reflected in County, FLTF, FLO and Boyce Agreements

# Timeline

## MILESTONES

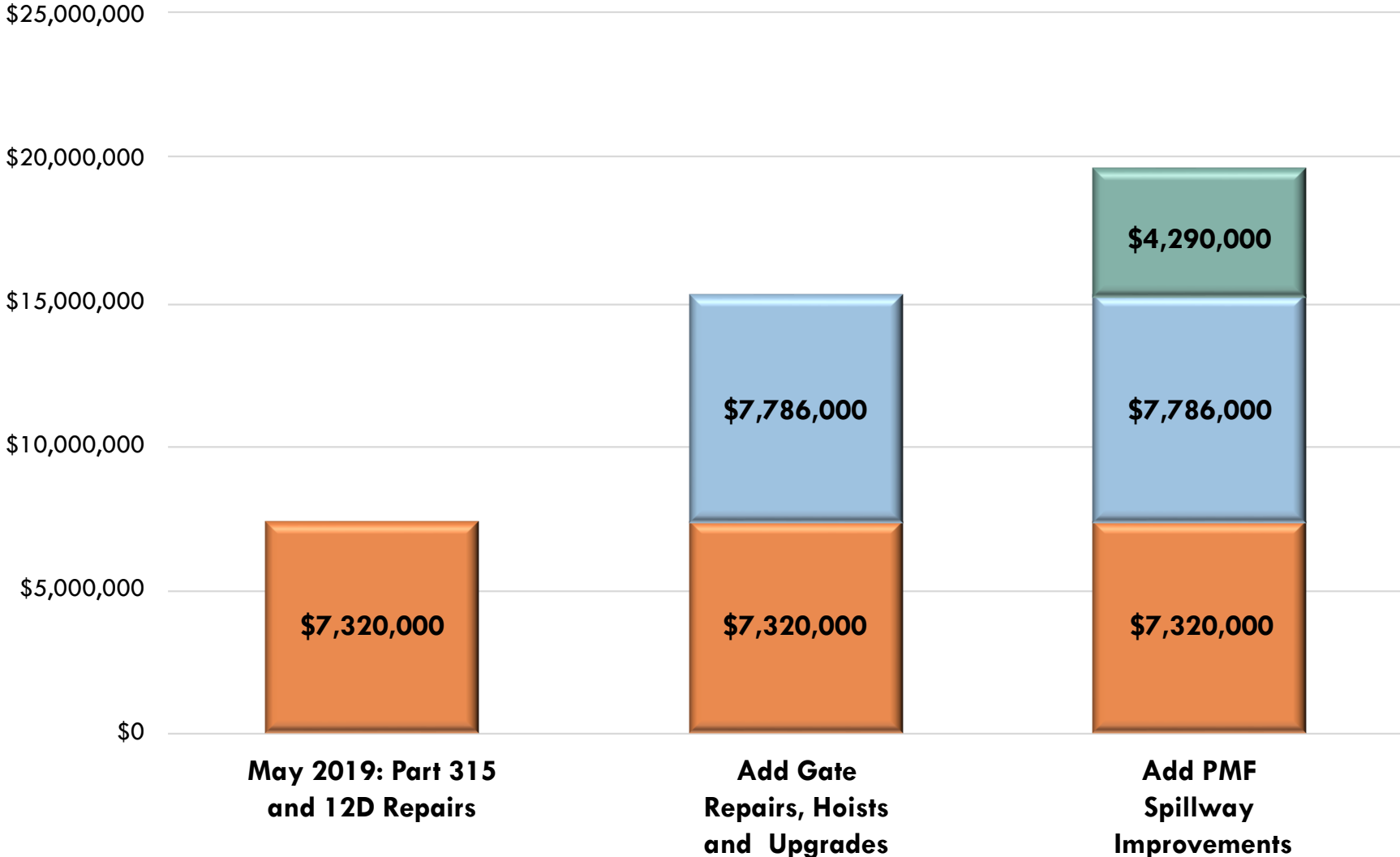
- 2019 Accomplishments
  - Part 307 Lake Levels Set and Special Assessment District created
  - Wixom Lake level brought back up
  - Diligence Completed and Purchase Agreement Signed
- 2020
  - Interim Financing and First Installments
  - Bottom land ownership transferring to FLTF and Counties.
  - Upgrades on Edenville Dam for Winter Operations
  - Secord Dam Spillway options
  - FLTF and FLO assumes responsibility for Recreation and Environmental Monitoring
  - Submittal for EGLE and FERC permit for comprehensive repairs and improvements
- 2021
  - Complete Final Design
  - Receive Bids for Construction & obtain Permits
  - Mid year: SAD Hearings and Roll approval
  - Late year: Construction starts
- 2022
  - Close on & transfer property in January
  - Transfer Operations to FLO and New Operator
  - Major Year of Construction
- 2023
  - Major Year of Construction
  - Construction substantially complete by year end

- A more robust timeline will be completed by April.
- FLTF is actively engaged with third parties including Consumers Energy, FERC & EGLE for their agreement and cooperation on the new structure & plans. We are expecting the first payment installments & land transfers to occur within the next month.
- A critical issue for this effort is community and public sector alignment on creating safe and sustainable lakes for the community, the counties, fisheries and the environment.

# FLTF Capital Improvement Bond

Total 2018/2019 Expenditures	\$1,686,520
Land Acquisition / Expense and Operation	\$10,740,940
Professional Services / Administration / Environmental	\$4,910,000
Construction / Repairs to Maintain Existing Dams, meet Part 315	\$16,553,010
Construction / Capacity Improvement with PMF	\$4,290,000
<b>Total Budgeted Expenditures</b>	<b>\$38,160,470</b>
Minus Total Existing Funding	\$5,250,000
Subtotal	\$32,910,470
Contingency & Capitalized Interest	\$4,989,529
<b>Total Amount with PMF Repairs</b>	<b>\$37,900,000</b>
<b>Estimated Amt to be Bonded/Financed by District</b>	<b>\$32,200,000</b>
Other PMF Repairs to be Financed (non-SAD)	\$5,700,000

# Construction Cost, Current Estimates





# Bond Anticipation Note

Engineering - (Lake Level Study, Design/Project Management)	\$1,064,380	
Legal	\$525,379	
Finance & Administration/Public Relations/Other	\$96,761	
Total 2018/2019 Expenditures		\$1,686,520
<b>2020/2021 Expenditures</b>		
2020/2021 Land Acquisition and Operation		\$4,009,300
2020/2021 Professional Services / Administration / Environmental		\$4,700,000
2020/2021 Emergency Construction/Repairs		\$1,900,000
Total Budgeted Expenditures		\$12,295,820
Minus Total Existing Funding		\$5,250,000
2020/2021 Bond Anticipation Financing Amount		\$7,045,820
Contingency		\$954,180
<b>Total 2020/2021 Bond Anticipation Note Financing</b>		<b>\$8,000,000</b>

# Planning Level Assessments

- **How does Planning Level Budget increase from \$20M to \$32M, yet the original estimate of \$350 annual assessment does not go up?**
  - ▣ Assessment contains two components
    - 20-year Bond (for comprehensive repairs)
    - Annual operation and maintenance cost (ongoing for life of dams)
  - ▣ Original estimate assumed no revenue from hydro-power
  - ▣ Current estimate anticipates revenue from power to reduce assessments
    - Current estimates include revenue from Sanford and Smallwood
    - If hydro power revenues at Secord and Edenville can be kept, further reductions in assessments may be realized
  - ▣ Original estimate had built-in contingency in anticipation of unknowns that would increase the construction costs

# Planning Level Assessments

- Final Assessment Amounts provided at Special Assessment Hearing on Summer of 2021, after receiving construction bids
- Anticipate being on winter of 2021 taxes
- Average Assessment for Residential Lake Front, less than 300 feet
  - ▣ Current Estimate is approximately \$350 on average over 20 years
    - Subject to actual construction bids
- Approximately 8,508 parcels in district
  - ▣ 5,902 Lake front to be assessed
  - ▣ 1,388 non lake front to be assessed
  - ▣ 1,218 receive zero assessment
    - Majority are landowners which own adjacent parcel that is being assessed

# Learn More at Upcoming Meetings

- FLTF quarterly meetings in Midland and Gladwin counties

April 16, 2020 Swanton Hall 3 p.m.	July 16, 2020 Secord Hall 3 p.m.	Sept. 10, 2020 Swanton Hall 3 p.m.	Dec. 17, 2020 Secord Hall 3 p.m.
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- Multiple Lake Association meetings all year with FLTF board members present to answer questions
- Special Assessment public hearings will begin mid-year 2021

***Go to FLTF website for full calendar of events***