

Four Lakes Task Force

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

Community Information Session

April 6, 2022



Four Lakes Task Force

Informational Communications Meeting

2

- This is an information session
 - ▣ This meeting is being held virtually to accommodate as many people as possible
- This is not a board meeting; no formal action will occur
 - ▣ There is a board meeting on April 11th to discuss among other things the financing plan and project status. It is an open meeting, and public comment will be taken at that time
- If you have questions, please send them to info@fourlakestaskforce.org
 - ▣ At the end of the meeting, we will respond to the questions sent to the email address



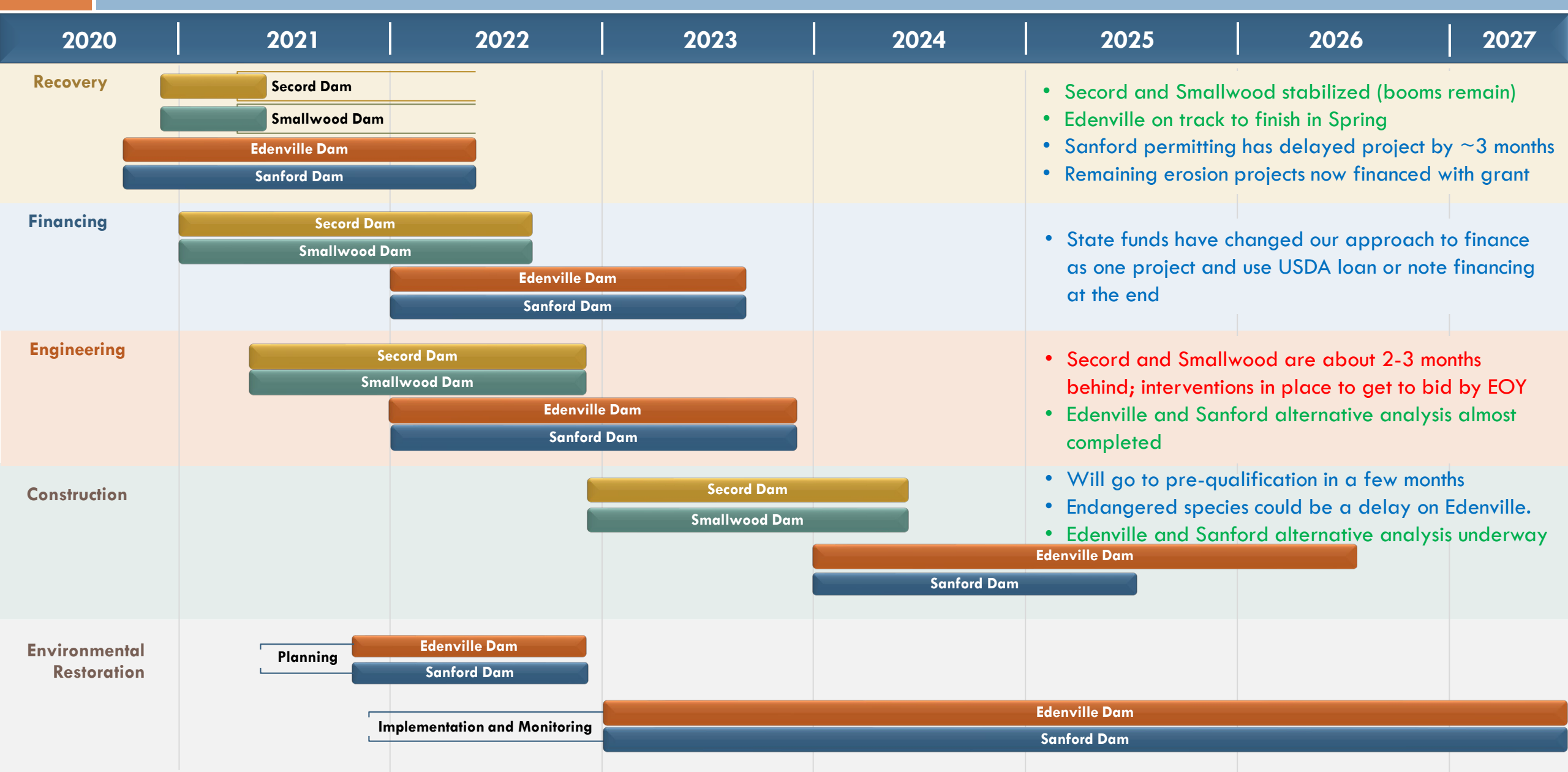
Agenda – Financing the Lake Restoration

3

- I. Dam Recovery and Restoration Timeline and Status
- II. Update on State and Federal Funding
- III. Operations Assessment and Future Capital Assessment
 - Costs
 - Apportionment Methodology
 - Timeline
- IV. Questions & Answers



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

State Grant Funding Update

5

- \$200 million of state funding was formally approved for the FLTF dams on March 30
 - ▣ The State also approved \$15 million to EGLE for permitting, licensing and environmental projects (\$3 million goes to FLTF for matching federal grant)
- State is requiring a 20% match, from federal or local matching
 - ▣ We do not see this a limiting factor
- State funding should be available, so a \$10 million note will likely not be pursued
- The Operations Assessment will continue as planned; the State grant does not impact the Operations Assessment
- Timeframe to restore the dams is not impacted by funding, but improves the probability on staying on track
- *There will in all likelihood be a Capital Assessment on property owners. This will not take effect until 2024/2025. We will discuss in this presentation*

~\$250 Million of Funds Received or Anticipated

6

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)

Assessments

7

- Anticipated capital costs for restoration of dams exceeds the amount of the State funding and it is anticipated that bonds will be issued for the difference. Consequently, it is also anticipated that a Capital Assessment in 2024, for payment in 2025.
 - ▣ We are communicating a conservative estimate now, so people are informed while we go through the process of establishing an Operational Assessment this year
- The next slides will review
 - ▣ The current project cost estimates
 - ▣ The estimated FUTURE Capital Assessment
 - ▣ The computational costs for the Operational Assessment (this was covered at last board meeting)
 - ▣ Methodology for calculating property benefits
 - ▣ SAD process



\$250 Million to Restore the Dams -

8

- ❑ 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

9

Capital Assessment Update

Capital Assessment Examples – Front and Back Lots

10

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

12

- ❑ **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

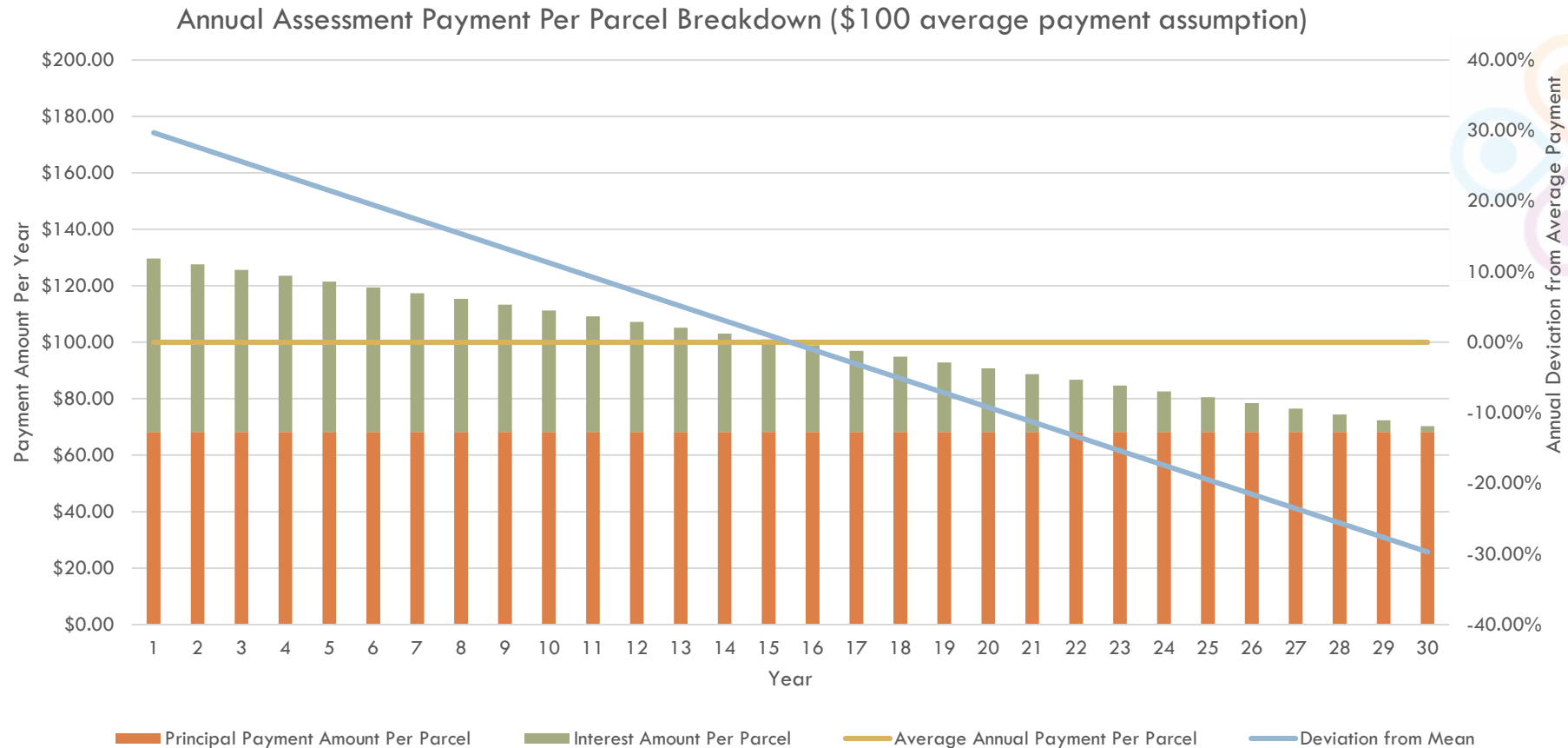
NOTE:

- ❑ *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

13

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



14

Operations Assessment Update

Operations Assessment – Computation of Costs*

15

		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

16

- Based on input from the community, further consideration will be given to:
 - Calculation of lake frontage and frontage benefit factor
 - Focus on properties with irregular lots and frontage
 - Water depth factor
- Combining lots – Townships must inform FLTF by June 15, 2022, if a parcel combination for 2023 has been approved
- Next Days of Review are April 19/20



Operations Assessment Examples – Front and Back Lots

17

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

18

- **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%

In Summary on Assessments

19

- \$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
 - ▣ Average Residential Planning Estimate \$345/year
- There is a 2022 to 2024 Operations Assessment
 - ▣ We are engaged in a process to implement this in 2022
 - ▣ Average Residential Assessment is \$180/year
- There will be a PSC Survey – delivered to homes next week



Communications, SAD and Permitting Milestones

20

Event	Date
Communications Update: Secord and Smallwood Plans	April 6, 2022
Preliminary Days of Review	April 19/20
Secord/Smallwood EGLE Permit Notice	May 2022
Property Owner Opinion Survey	April/May 2022
Deadline for Notification of Parcel Combination	June 15, 2022
EGLE Public Webinar on Permitting	June 2022
Dam Design Webinar/Video	May/June 2022
SAD Hearings	June/July 2022
County Board SAD Meetings	July 2022
Communications Update: Four Lakes Progress	August 2022
Technology Summit	October 2022

The Four Lakes Are in Our Communities' Future!

21

- 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!





Please submit your questions to:

info@fourlakestaskforce.org

We will answer questions live as time allows.



23

Thank you for joining us!

