



## FOUR LAKES TASK FORCE

Four Lakes Task Force

June 13, 2022

**To:** Four Lakes Task Force Board

**Memo:** Computation of Costs for the Four Lakes Special Assessment District for the June 29 Hearing

The matter for the June 29<sup>th</sup> hearing, related to the computation of costs, is to approve the Operations and Maintenance Assessment for 2022-2024 and the \$250 million project cost estimate, with the understanding that the estimated Capital Assessment will occur in 2024 or 2025.

We have made incredible progress since May 19, 2020. We are a year away from completing the recovery phase and the engineering on all four lakes. I am proud of the community, counties, the Four Lakes Task Force (FLTF), and all the funders, which have helped us get to this point. The EGLE permits for construction of the dam safety improvements to the Secord and Smallwood dams-are being submitted this month, and we are at the peak effort for engineering on Edenville/Wixom and Sanford. This remains a large project and it is being done in a time of economically volatility.

It is important that we review these assessments, recognizing the system failed because it was not maintained or improved enough over time. That cannot happen again. The community has a collective obligation to manage a natural resource from which they benefit, and to ensure that the resource is well maintained, and the environment and public are protected. This is something the prior federally regulated owners failed to do. The restoration plan we are implementing has a stated target to have more robust and safer dams, industry standards for operations, and a more sustainable future for our communities, the economy and the environment.

### **Bottom Line**

These dams are being built for a 75+ year life of structural integrity, but we will need to maintain them throughout their design life. This includes capital improvements in future years beyond this project's financing, to continue to extend their life well beyond this century and well into the next. There are dams still in operation worldwide that are more than 1,000 years old.

### **Two frequent questions FLTF gets:**

- 1) **Will there always be an operations and maintenance assessment?** Yes, and when we look beyond 2026, it should be the annual amount of the 2022-2024 assessment.
- 2) **Are you confident we can build the dams for the numbers you are planning?** Yes, within the confidence range of \$230 to \$270 million, within the estimates we are providing.

FLTF is confident we can make these investments over the next 5 years, and we can finance the continued safe operations and improvements for the next 100+ years. The Assessment Computation of Costs has no assumptions of future new grants or donations. We are still seeking them, but they are not going to be included unless they are committed.

There has been significant public review of the project and its costs (linked in this paper). The Operations and Maintenance Assessment is broken down in this document. Also, we show background on post-2027 costs to sustain the financing for the generations to come, as this is an integral part of the project.

Thank you for all your dedication and commitment.

Dave Kepler



## 2021 to 2024 Funding and Financing

The Four Lakes Task Force (FLTF) Restoration Financing Plan was updated and approved by the FLTF board. It can be found on the FLTF website at this [link](#). A summary reference on the funding and financing plan can be found in **Appendix C**.

### 2021 to 2024 Recovery and Engineering Phase

After the failure of the Boyce dams, the counties and FLTF were able to acquire and gain access to the lakes in December of 2020. FLTF spent \$24.7 million in 2021 for lake restoration. Total acquisition, recovery and engineering for lake restoration is estimated at \$63.7 million. The 2022 to 2024 Operation and Maintenance Assessment is planned at \$4.7 million during this period to administer and manage the Four Lake system. The remainder has been funded by private and public funds.

### 2022 to 2026 Restoration Phase

Stabilization of the dams will be completed this year, along with the permitting of the Secord and Smallwood dams for construction in 2023 with some work likely to start late this year. Edenville and Sanford will have engineering completed in 2023. This phase has a planning estimate of \$250 million, with a range of \$230 to \$270 million dollars. Rehabilitation of all four dams is planned to be completed by 2026.

## 2028 and Beyond

### Four Lakes Administration, Operations and Maintenance (Operations and Maintenance Assessment)

This high-level analysis was done, for the second year after the target fill of the last lake, 2028, compared to 2024 budget (which has no one-time costs) of the 2022-2024 Assessment.

	<b>2024 Budget</b>	<b>2028 Estimate</b>	
<b>Administration</b>	\$400,000	\$250,000	Service reductions post project
<b>Operations and Maintenance</b>	\$830,000	\$1,100,000	Based on estimates from industry benchmarks and all lakes filled <sup>1</sup>
<b>SAD Administration</b>	\$20,000		Included in Administration
<b>Contingency</b>	187,500	\$204,000	15%
<b>Total<sup>2</sup></b>	<b>\$1,437,500</b>	<b>\$1,571,500</b>	

### Future Capital Assessments beyond the Current Project Financing Period.

The analysis for the next 30 to 40 years is documented in the FLTF Financing Plan referenced above. Improvements, component upgrades and replacements will be managed by having a 20-year upgrade plan that will become a part of our program. This will be developed as a part of the restoration project. This will also allow FLTF, as a publicly owned entity, to take the initiative in seeking government grants. Between maintenance and future capital assessments, our objective is to manage to keep the total Operations, Maintenance and Capital annual assessments, plus inflation at the ranges being projected, throughout the project life.

<sup>1</sup> The Hydro Industry Benchmarking report was used from the Department of Energy, with energy generation cost factored out. Post 2027 operation assessment will continue to be refined based on the final phase of engineering, benchmarking, and experience during the construction phase.

<sup>2</sup> The Boyce Hydro Power 2019 budget was \$1,118,000 for comparison. However, it is clear from the Forensic Report, that the assets, were not being maintained to acceptable standards and behind in compliance



## Four Lakes Operations and Maintenance Assessment 2022-2024

The Four Lakes' Operations and Maintenance Assessment for the years 2022 through 2024 includes administration, operations and maintenance costs that will be ongoing, as well as one-time costs which include establishment of the Special Assessment District and acquisition costs. The computation of cost for those three years is currently estimated to be \$4.7 million, which will be normalized to \$1,564,000 per year for this period. The Computation of Costs is broken down into five categories that are described in the remainder of the document. Detail by line item is broken down in **Appendix A**.

### 1. Administration (ongoing)

2022 Budget: \$360,000 1.2% of overall 2022 FLTF Budgeted Costs

Average Annual 2022 to 2024 Budget: \$380,000

These are the costs associated with maintaining financial, communication, legal and administrative oversight of Four Lakes Task Force. FLTF has regular reporting responsibilities to state and federal agencies that are managed in addition to regular payments to vendors and budget tracking. The program office also manages administration and HR for the organization. The program office additionally covers the cost of FLTF's general counsel for all governance and lake level operations items. In addition, program office covers the cost for FLTF communications which range from weekly emails to frequent webinars covering a variety of topics.

### 2. Operations and Maintenance (ongoing)

2022 Budget \$750,000

Average Annual 2022 to 2024 Budget: \$790,000

The Four dams are regulated by the Department of Environment, Great Lakes, and Energy (EGLE) under Part 307, Inland Lake Levels (Part 307) and Part 315, Dam Safety (Part 315), of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA). FLTF key responsibilities, as delegated authority over the four dams, per the provisions of Parts 307 and 315. Part 307, Part 315, and its administrative rules can be found on EGLE's Website; website at [www.mi.gov/damsafety](http://www.mi.gov/damsafety).

The Four Lakes Task Force Operations group has tasks to complete to ensure safe and operable systems in this interim period. FLTF Operations personnel are dedicated to ensuring that the structures associated with the Secord, Smallwood, Edenville, and Sanford dams are in safe and operational condition to the extent that their current compromised conditions allow. Operations and maintenance procedures are in place for current conditions and have been expanded to establish a set program of work activities for the facilities as we bring the facilities back online. Operations must be knowledgeable of the dam and its equipment's characteristics and be able to assess their status and ensure that proper steps are taken to keep them in good working order. A sample of these activities are included in **Appendix B**.



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### 3. Establishment of Special Assessment District (one time)

2022 Budget \$250,000

2022-2024 Budget \$490,000

These are the costs associated with the establishment of the Special Assessment District. These costs are for preparation of the assessment roll, surveying, preliminary days of review, hearings, public notices, and mailings. This also covers the cost of legal review and assistance in implementing the SAD. In addition, this includes the cost of appeals.

### 4. Acquisitions (one-time)

2022-2024 Budget: \$80,000

The final acquisition settlement of the Boyce Properties of \$1,576,000 was paid primarily from State funds, with the legal fees being covered for condemnation and bankruptcy primarily from the FLTF general donated funds. The assessment includes remaining easements and rights-of-ways to obtained prior to construction.

### 5. Contingency

2022 Budget \$234,000 0.7 % of overall 2022 FLTF Costs

Average Annual 2022 to 2024 Budget \$204,000

Contingency of 15 percent is included, which is an accepted practice, and needed for the scope of this project and the variability of costs.

NOTE: This is not included in the 2022 budget, but has been established as part of the assessments, to cover property changes that may change the overall assessment and costs that may overlap years. Also, if there are unexpected repairs not covered by insurance, this provides capacity to address.

This category will require finance committee and board review before spending.



**FOUR LAKES TASK FORCE**

**APPENDIX A**

**2022 to 2024 Computation of Costs**

**Computation of Costs**

		Total 3 year	2022	2023	2024
	<b>Expense of Maintenance of the Lake Level Structure</b>				
<b>1</b>	<b>Administration</b>	<b>\$1,140,000</b>	<b>\$360,000</b>	<b>\$380,000</b>	<b>\$400,000</b>
	1a Labor (Finance and Administration)		\$150,000	\$159,000	\$169,000
	1b Legal (General Counsel)		\$60,000	\$63,000	\$66,000
	1c Communications		\$110,000	\$116,000	\$121,000
	1d Insurance, Bank Services and Supplies		\$20,000	\$21,000	\$22,000
	1e Accounting Services, Annual Audit		\$20,000	\$21,000	\$22,000
<b>2</b>	<b>Operations and Maintenance</b>	<b>\$2,370,000</b>	<b>\$750,000</b>	<b>\$790,000</b>	<b>\$830,000</b>
	2a Labor		\$340,000	\$360,000	\$380,000
	2b Insurance		\$4,500	\$5,000	\$5,000
	2c Utilities and Telecommunications		\$69,000	\$72,000	\$75,000
	2d Vehicles		\$45,500	\$48,000	\$50,000
	2e Supplies		\$50,000	\$52,000	\$54,000
	2f Contract Labor		\$105,000	\$110,000	\$116,000
	2g Equipment Rental		\$6,000	\$6,000	\$6,000
	2h Consulting Services		\$130,000	\$137,000	\$144,000
<b>3</b>	<b>Establishment of Special Assessment District</b>	<b>\$490,000</b>	<b>\$450,000</b>	<b>\$20,000</b>	<b>\$20,000</b>
	3a Preparation of Assessment Roll, Surveying, Hearings, Cost of Levying Assessments		\$250,000	\$20,000	\$20,000
	3b Estimated Cost of Mailing, Publishing, Notices		\$25,000		
	3c Estimated legal fees		\$150,000		
	3d Estimated Cost of Appeal		\$25,000		
<b>4</b>	<b>Acquisition</b>	<b>\$80,000</b>			
	Gross Sum of Expenses	\$4,080,000	\$1,560,000	\$1,190,000	\$1,250,000
<b>5</b>	Contingency 15%	\$612,000	\$234,000	\$178,500	\$187,500
<b>Assessment Total Sum</b>		<b>\$4,692,000</b>	<b>\$1,794,000</b>	<b>\$1,368,500</b>	<b>\$1,437,500</b>
<b>Annual Assessment Amount</b>		<b>\$4,692,000</b>	<b>\$1,564,000</b>	<b>\$1,564,000</b>	<b>\$1,564,000</b>



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**Computation of Cost Explanation of Line Items**

Cost		Comments
<b>1</b>	<b>Administration</b>	
	1a	Labor (Finance and Administration) Labor including benefits and employment taxes for financial and administrative management
	1b	Legal (General Counsel) Cost of FLTF General Counsel for matters related to legal lake levels and governance
	1c	Communications FLTF communications support cost. Provides weekly newflashes, frequent webinars, website updates, mailings to keep the public informed.
	1d	Insurance, Bank Services and Supplies This covers FLTF D&O insurance, bank service fees, subscriptions, and administrative supplies.
	1e	Accounting Services, Annual Audit FLTF annual audit cost as well as on call accounting services to assist in financial and administrative management
<b>2</b>	<b>Operations and Maintenance</b>	
	2a	Labor Cost of labor including benefits and employment taxes for operations employees, including management
	2b	Insurance Vehicle insurance
	2c	Utilities and Telecommunications Cost for electricity, heat, telephones, internet at all four dam sites and Edenville office
	2d	Vehicles Cost for 3 leased vehicles, maintenance, and fuel
	2e	Supplies Ongoing small tools and supplies expense
	2f	Contract Labor Contract services primarily maintenance – examples include winter deicing of the dams and snow plowing.
	2g	Equipment Rental As needed equipment rental for ongoing operations for items such as generators, tools, port-a-potties
	2h	Consulting Services Operations consulting services provided to FLTF to assist in operations standards and process development
<b>3</b>	<b>Establishment of Special Assessment District</b>	
	3a	Preparation of Assessment Roll, Surveying, Hearings, Cost of Levying Assessments This is the cost associated with preparing the assessment roll including surveying, hearings, preliminary days of review to levy assessments.
	3b	Estimated Cost of Mailing, Publishing, Notices Costs associated with posting notices in papers and completing physical mailings to property owners
	3c	Estimated legal fees Legal fees associated with implementation of the SAD
	3d	Estimated Cost of Appeal Cost to cover fees associated with likely appeals
<b>4</b>	<b>Acquisition</b>	Acquisitions of Easements and Right of ways
<b>5</b>	<b>Contingency</b>	15% contingency provided to cover unanticipated expenses or cost increases of services



**APPENDIX B**

**Dam Operations and Maintenance**

**General Operations and Maintenance**

These activities ensure the dam structures are in safe and operational condition to the extent that their current compromised conditions allow. Operations activities monitor the facilities and take action to correct potential or active issues.

- Mow earthen embankments and grounds
- Manage weeds and clean drainage ditches
- Snowplow drives and access areas
- Remove ice from the spillway structures
- Inspect and repair dams, concrete structures and earthen embankments
- Gather piezometer readings
- Perform safety inspections and general inspections on the dams and powerhouses
- Maintain gates and fences
- Repair and replace signage
- Maintain and check generators, fire extinguishers and emergency equipment
- Perform general upkeep of building and powerhouse structure
- Assist in environmental studies, project design and permitting
- Maintain drainage tile
- Test and maintain siren
- Maintain driveway
- Monitor public recreation sites

**Dam Safety and Security**

These activities ensure the dams remain structurally sound and continually operate as designed while meeting regulatory requirements.

- Monitor site security systems on powerhouses, dams and spillways
- Winterize facilities
- Perform public safety inspections
- Regularly update emergency action plans
- Maintain boat barrier and warning signage
- Maintain facility lighting systems
- Maintain emergency generators
- Comply with requirements listed in Commitments Management System
- Ensure adherence to environmental health and safety policies and procedures
- Maintain stream and rainfall gauges



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### APPENDIX C

#### **FUNDING AND FINANCING SUMMARY FOLLOWS ON NEXT PAGE**

#### Notes related to Summary and SAD

- 1) The summary excludes SAD contingency.
- 2) Restoration Construction work on Secord and Smallwood is now expected to pull ahead to have work occur, has state funds in 2023 plans for the effort, but is currently not part of the 2022 budget. For approval at the next board meeting.



# Funding and Financing

## Four Lakes Background Information

Currently **8,442** parcels,  
**6,520** waterfront parcels,  
estimated market  
value of **\$800 million**

**2** counties,  
**9** townships,  
**1** village

**4,500** acres,  
nearly **40** miles of lakes,  
over **220** miles  
of shoreline



## Recovery and Engineering Phase 2021-2023

### \$64 Million Estimated Recovery and Engineering Costs

The total estimated cost is \$64 million for the recovery and engineering phase. Of this, \$4.5 million will be paid by the Four Lakes SAD Operations Assessment, with the remainder to be paid by state, excluding contingency, federal and private funds and grants.

Project Category	Expenditures	Annual Project Budget Projection			
	2021 Spend	2022 Budget	2023 Estimate	2024 Estimate	Total
Admin., Operations and Program Office	\$1,500,000	\$1,794,000*	\$1,368,500*	\$1,437,500*	\$6,100,000
Property Acquisition†	\$765,000	\$1,126,000			\$1,891,000
Dam Stabilization, Erosion and Debris Removal and Project Management	\$19,150,000	\$21,145,000**	\$1,200,000		\$41,495,000
Design Engineering for Restoration	\$4,070,000	\$6,250,000	\$1,550,000		\$11,870,000
Environmental and Natural Resources	\$620,000	\$1,000,000	\$700,000		\$2,320,000
<b>TOTAL</b>	<b>\$26,105,000</b>	<b>\$31,315,000</b>	<b>\$2,818,000</b>	<b>\$1,437,500</b>	<b>\$63,676,000</b>

\*\$4.5 Million Paid by Four Lakes SAD Operations Assessments | \*\*Includes \$1.675 Million Consumer's Power Reconfiguration | †Includes Bankruptcy Settlement

For 3-year plan, see March 3rd presentation: <https://bit.ly/3EY90ia>

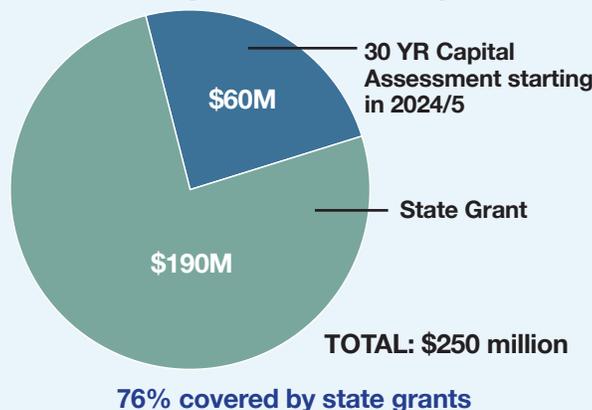
## Restoration Phase 2022-2026

### \$250 Million Estimated Dam and Restoration Costs

The estimated repair and restoration amount is \$250 million, with a planning range of between \$230-\$270 million. All construction and permitting factors have been built into the estimates.

For more information on restoration costs: <https://bit.ly/38D7Lc0>

#### Funding Received or Anticipated



#### \$200 Million State Grant

On March 30, 2022, \$200 million was allocated to the Four Lakes Task Force (FLTF) for the Four Lakes Special Assessment District under Part 307. Of this, \$10 million will go towards 2022 costs. The remaining \$190 million will go to lake restoration projects.

# Four Lakes Special Assessment District – Financing

## Assessment Methodology by Lake and \$200 Million State Grant

Financing and managing as one system is lower cost to the property owner than lake by lake financing.



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

Operations and Maintenance Assessment 2022-2024	Capital Assessment Starts in 2024
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FLTF will use a special assessment as the funding mechanism for operations and maintenance costs, which are estimated to be \$1.56 million per year.

This assessment will be used for administration, operations and management of the lakes during the transition to their normal levels; for the development of operational plans; and for long-term, ongoing operations. The cost for most lakefront owners will range from \$130-\$240, and \$60-\$120 for backlot owners.

**Average = \$180/Year**

The primary source of repair and reconstruction will be the \$200 million State of Michigan grant appropriated in March 2022. This grant does not likely cover the total project cost and will be needed to cover a portion of the construction and repair costs. The current estimated timeframe to levy a special assessment for the capital improvement projects is 2024, with the first payment in 2025. The estimated cost for most waterfront lots will range between \$250-\$460 per year, and a back lot will range from \$115-\$230 per year.

**Average = \$345/Year**  
Subject to change +/- 30%

### Operations Assessment

Starts December 2022

**Waterfront lots range from \$130-\$240**  
**Backlots range from \$60-\$120**

#### Yearly Assessment Range and Percentage of Properties that Fall Within the Range

Assessment Range	Percentage
\$60 - \$180	39%
\$180 - \$240	52%
\$240 or greater	9%

### Capital Assessment

Starts 2024/2025

**Waterfront lots range from \$250-\$460**  
**Backlots range from \$115-\$230**

#### Yearly Assessment Range and Percentage of Properties that Fall Within the Range

Assessment Range	Percentage
\$115 - \$345	39%
\$345 - \$460	52%
\$460 or greater	9%

For More information on your assessment: <https://bit.ly/3rZQild>

## Special Assessment Process

Activity	Date
Property Owner Opinion Survey	April/May 2022
EGLE Public Webinar on Permitting	June 2022 (TBD)
SAD Community Informational Webinar	June 15, 2022
SAD Hearing	June 29, 2022
County Board Meetings to Vote on SAD	July 2022 (TBD)
FLTF Board Meeting	July 26, 2022



**Four Lakes Task Force**

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Estimates as of April 2022