

Four Lakes Task Force

Special Assessment District

Public Hearings for Financing / Bonds

Gladwin County



Four Lakes Task Force

January 30, 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:
 - ▣ Review financing needs
 - ▣ Review current cost estimates
 - ▣ To provide an update to the public
- Key message on estimates:
 - ▣ Construction and other 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, Four Lakes Task Force and Four Lakes Operations (FLO) signed a purchase agreement in December
 - FLTF: \$9.4 million to acquire the Edenville, Sanford, Secord and Smallwood dams and lakes
 - FLO: \$6.6 million to acquire the Power Generation Facilities
- The sale of properties will occur over the next two years, with a final close in January 2022.
 - Boyce remains accountable for the FERC compliance on the dams.
 - FLTF and FLO has assumed most of responsibility for compliance implementation and monitoring



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

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 - Project Financing Approach

- **Special Assessment District (SAD) funds – Four Lakes Task Force**
 - ▣ Finances acquisition, repairs and operations of Lake Level Assets and compliance with State of Michigan regulations including dam safety and environmental
- **Private and Public Grants – Four Lakes Task Force**
 - ▣ \$5 million in State of Michigan grant funding and \$556,000 in other private funding secured to date
 - ▣ Pursuing approximately \$1.5 million in additional grants for dam safety, recreation compliance and environmental monitoring
- **Power Generation via Four Lakes Operations**
 - ▣ Provides Lease Revenue to FLTF of “water energy potential” of dams
 - ▣ Offsets FLTF Operations / SAD assets after Acquisition and Power Generation Costs

FLTF Capital Improvement Bond

Total 2018/2019 Expenditures	\$1,686,520
Land Acquisition / Expense / Operations	\$10,740,900
Professional Services / Administration / Environmental	\$4,610,000
Construction / Repairs to Maintain Existing Dams, meet Part 315	\$16,533,010
Total Budgeted Expenditures	\$33,570,430
Minus Total Existing Public and Private Funding	*\$5,500,000
Subtotal	\$28,070,430
Contingency & Capitalized Interest	\$3,929,570
Estimated Amt to be Bonded/Financed by District	*\$32,000,000

* Since January 23rd, updated to reflect all donations, and includes only SAD cost

County Resolutions: Funds not to exceed \$35,000,000

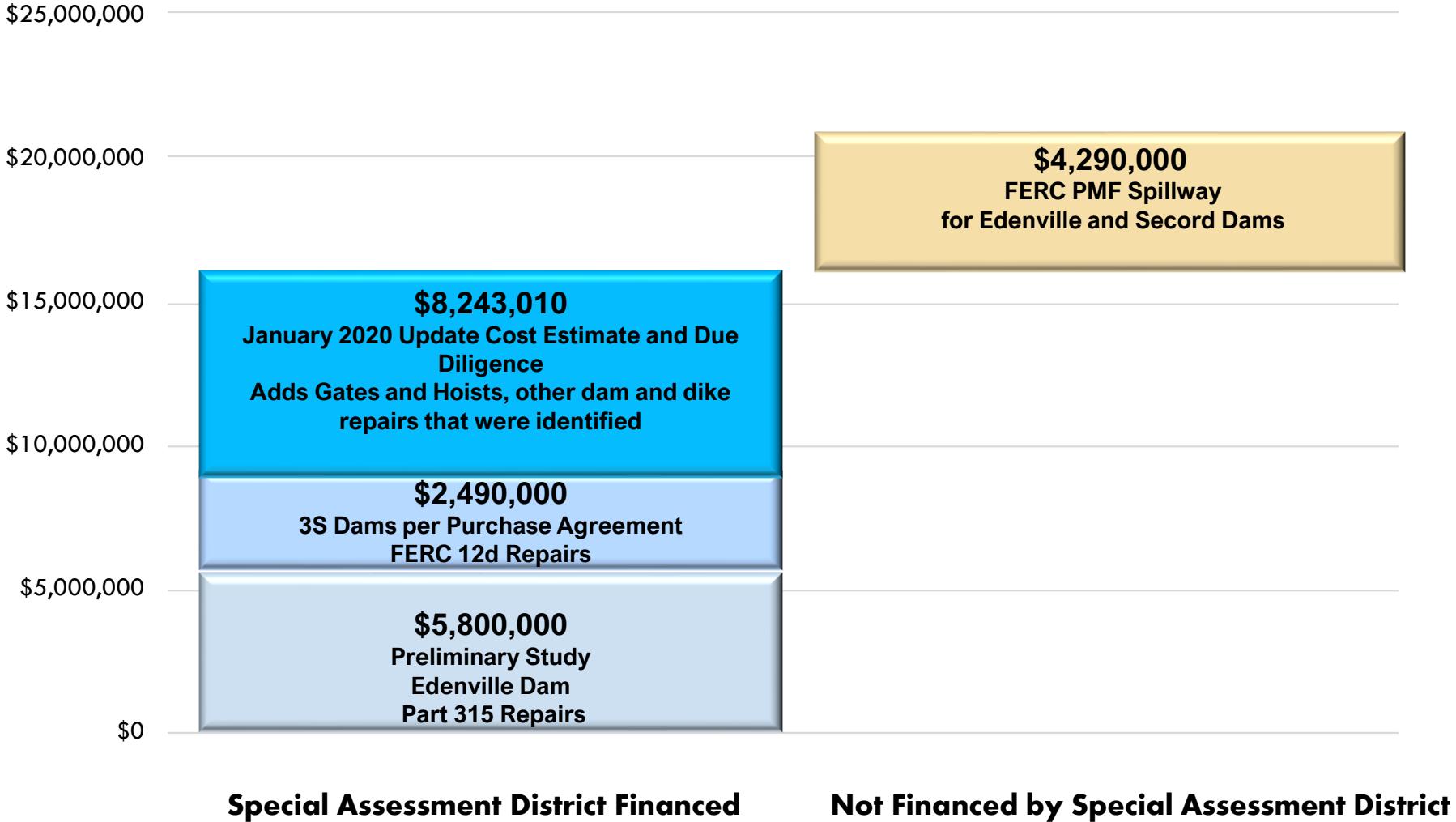
Project Special Assessment District Estimate Comparison

	Special Assessment District		Power Generation
Expenditures	April 2019 Estimate	January 2020 Budget – SAD	January 2020 Budget – FLO
Lake Level Preliminary Study	\$400,000	\$390,000	\$0
Land Acquisition and Transition	\$10,400,000	\$9,400,000	\$6,600,000
Consulting/Admin/Environmental	\$1,100,000	\$5,906,520	\$300,000
2020/2021 Admin Expenses		\$4,610,000	
Total 2018/2019 Expenditures		\$1,686,520	
Lake Level Study		(\$390,000)	
Construction Cost	\$5,800,000	\$16,533,010	4,290,000
Seller Financing		\$940,900	
TOTAL Budgeted Expenditures	\$17,700,000	\$33,170,430	\$11,190,000
Minus Existing and Planned Public and Private Funding	\$5,000,000	\$5,500,000	\$0
Subtotal	\$12,700,000	\$27,670,430	\$11,190,000
Contingency & Capitalized Interest	\$2,300,000	\$3,929,570	\$1,110,000
Operation Cost	\$0	\$400,000	\$0
TOTAL	\$15,000,000	\$32,000,000	\$12,300,000

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
2020/2021 Expenditures		
2020/2021 Land Acquisition and Operation		\$4,009,300
2020/2021 Professional Services / Administration / Environmental		\$4,610,000
2020/2021 Emergency Construction/Repairs		\$1,900,000
Total Budgeted Expenditures		\$12,205,820
Minus Total Existing Funding		\$5,500,000
2020/2021 Bond Anticipation Financing Amount		\$6,705,820
Contingency		\$1,294,180
Total 2020/2021 Bond Anticipation Note Financing		\$8,000,000

Summary of Current Construction Cost Estimate



Project Cost Estimate Increase

- Increased Construction Costs
 - Assume Boyce's FERC responsibilities for FERC 12d repairs
 - Gates Hoists, Gate Repairs, Dike Repairs, and others
 - Recreational compliance project costs from Boyce to Four Lakes Task Force
- Acquisition Costs
 - Reduced Acquisition Transaction Cost by \$1 million from SAD funds
 - Note: Not part of SAD funding; \$1 million was added at Edenville Dam, as now determined to be needed for Part 315 compliance, which in April 2019 was planned to be paid by grants
 - Acquisition from 4 years to 2 years increased interim transactional and financing costs
- Professional Services, Administrative and Financing
 - FLTF to administer repairs on 3S dams, environmental, recreational
 - Additional interest from bond anticipation note
 - Additional contingencies

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 and operational costs
- 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

Planning Level Assessments

- **How does Planning Level Budget increase from \$15M 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

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.

- Multiple Lake Association meetings all year with FLTF board members present to answer questions
- A special assessment public hearings will be held on mid summer 2021

Go to FLTF website for full calendar of events

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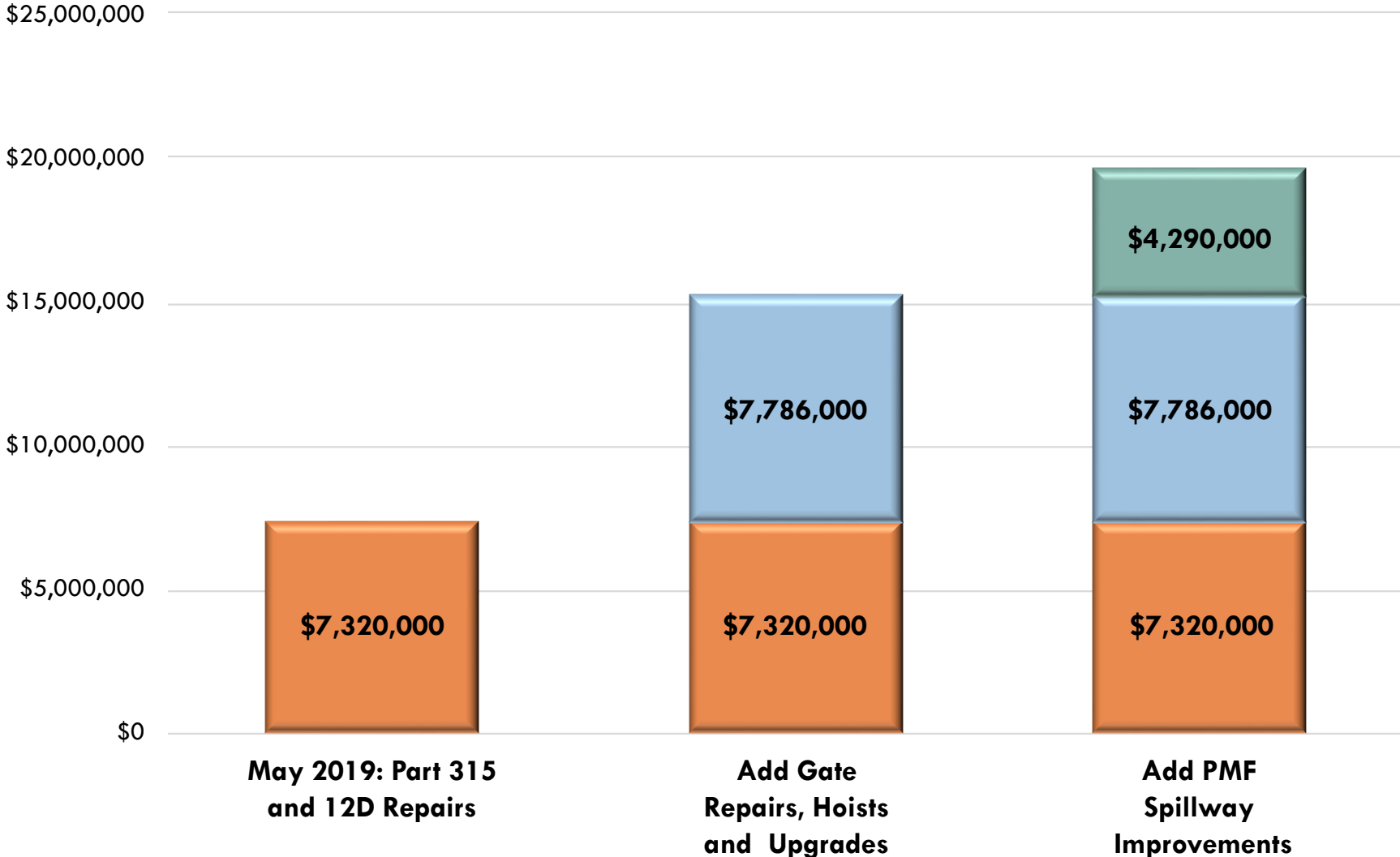
Appendix

- The following are financing slides from our previous public hearings on January 17th and January 23rd

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
Total Budgeted Expenditures	\$38,160,470
Minus Total Existing Funding	\$5,250,000
Subtotal	\$32,910,470
Contingency & Capitalized Interest	\$4,989,529
Total Amount with PMF Repairs	\$37,900,000
Estimated Amt to be Bonded/Financed by District	\$32,200,000
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
2020/2021 Expenditures		
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
Total 2020/2021 Bond Anticipation Note Financing		\$8,000,000