

April 11, 2022

Phil Dast
Secord Lake Association

RE: Clarification on the Financing Plan

Thank you for reaching out to share questions from the Secord Lake community. The \$200 million State grant has been a very significant ***inflection point***, on how the Four Lakes Special Assessment District will be managed as well as the Four Lakes project going forward. FLTF has received other questions beyond just Secord on this. I am writing this in the hope that it brings some clarification to points made at the April 6th webinar, and what was published on April 7th. FLTF will also put out a News Flash out Monday to answer some of these questions, and hopefully this specific letter to you on Secord will help with the Secord Lake community's understanding. Please feel free to share this with your lake community.

Time Schedule

The overall Secord project time schedule has not been delayed. Slide 4 of the presentation stated, "Secord and Smallwood are about 2-3 months behind; interventions are in place to get to bid by EOY [End of Year]". These include pulling construction items forward that can be separately permitted this year, and streamlining the preparation for bid, since there are no longer the constraints of the USDA financing in 2022. **FLTF is very committed to restoring Secord and Smallwood legal lake levels by summer 2024.** Apologies, if I did not take enough time on the webinar to explain this.

Total Approach to Funding Given the \$200 Million State Grant

Well over a year ago, with no significant government funding in the forecast, FLTF was able to qualify for a USDA loan, creating a financial model where the properties of each lake would be assessed separately for the construction restoration costs of their dam. This was due to the capacity limitation of the USDA funding program in any one year and if the project could be financed as one project. USDA requirements needed to have all four dams' engineering completed prior to funding all four dams, which would have delayed the Secord and Smallwood dams' schedules.

In December of 2021, the FLTF Board set the following priorities, as there became a possibility of a significant State of Michigan grant over \$100 million. It did, with the \$200 Million March 30, 2022, appropriation approved.

1. Fund all property owners, on all the lakes to the point where construction can begin.
2. Apply grants to get the assessment to the lowest common capital assessment number based on benefit, with no lake paying more than they would if they financed on their own.
3. FLTF will do everything that can safely be done to remain under current project estimate of \$250 million, given there is uncertainty in the project and the markets.

We applaud the community, led by a team from the Secord Lake Association, which rallied a positive and broad community message to Lansing for the support for the Four Lakes Task Force's effort to Restore the Lakes and the need for significant funding. I am personally very appreciative of the combined efforts of all four Lake Associations, the townships, both counties and our state/federal elected officials.

Importantly State of Michigan is providing \$200 million to the to the Four Lakes Task Force for the Special Assessment District under Part 307, to make the lakes affordable for all the Four Lakes communities. Given the size of the grant to lower the cost of restoration, the intent was met. By managing and financing as one project and a common assessment

for all the SAD; **EVERY PROPERTY OWNER IN THE FOUR LAKES SPECIAL ASSESSMENT DISTRICT WILL HAVE A LOWER COST than if they funded through lake-by-lake financing without State grants.**

The attached chart, which we will show at the board meeting, summarizes based on current cost estimates (A), the projected Capital Special Assessment for each lake. While the chart shows the entire system to be transparent, these comments focus on Secord.

The Capital Assessment for Secord with NO STATE grant, would be projected at \$932 annually (B) using the pre-failure methodology, where most lake front properties had a factor of 1. The State grant does reduce the overall Capital Assessment. The average lake lot factor is .75 in the SAD, meaning the average annual Capital Assessment is projected at \$345 (D). Note there are some larger lake frontages that are greater than the average (C), and an assessment of 1 primarily due to larger frontage or lake view(C). This also approximates the funds if the old methodology were still in place.

While Secord has the lowest cost position without the State grant, it still significantly benefits from the State grant and the one single assessment.

2024/2025 Estimated Capital Assessment (+/- 30%)	Sanford	Wixom	Smallwood	Secord	
Repair Estimate	\$70,836,140	\$96,477,000	\$36,207,000	\$33,993,829	A
Assessable Parcels	1,412	2,685	598	1,599	
Lake Front Assessments - NO STATE FUNDS					
Principal by Home (Lakefront)	\$50,161	\$35,932	\$60,517	\$21,266	B
Lake Front Property w 300 ft or less (OLD METHOD)	\$2,199	\$1,575	\$2,653	\$932	
Lake Front Assessments- WITH STATE FUNDS factor of 1.0					
Principal by Home (Lakefront)	\$9,430	\$9,430	\$9,430	\$9,430	C
Lake Front Property Benefit Factor of 1 (proximation of old method)	\$460	\$460	\$460	\$460	
Lake Front Assessments- STATE FUNDS Ave Assessment					
Principal by Home (Lakefront)	\$7,072	\$7,072	\$7,072	\$7,072	D
Lake Front Property Benefit Factor of .75(Average Assessment)	\$345	\$345	\$345	\$345	

To reiterate, if additional funding is needed beyond the \$200 million State Grant, it will not be until towards the end of all the Four Lakes Restoration projects, and a capital assessment would occur in 2024/2025. This has uncertainty in the numbers. But we will stay focused on project cost management, and these numbers do not include any other grants. Secord is scheduled to be restored in 2024.

Secord Dam Restoration Costs

Secord has average assessment costs in the May 2021 Restoration report of \$505 /year for operations and capital, and I could see how there could be frustration in seeing project cost projections go up for Secord and be frustrated by that. But given that 80% of the project costs are covered by the State, it’s more important to look at total cost of the project, rather than the specific dam.

There is a new lens on the last \$50 million dollars. Secord property owners' estimated assessment cost is **NOT impacted by changes to the construction costs of Secord Dam, but by the total project cost estate for all FOUR DAMS.** This is because the costs and State grants aren't allocated by lake, but to all lake properties in the SAD, with the intention of having everyone in the district with the same assessment based on the lake benefit.

While Secord latest estimated costs went up, Edenville costs went down, and the net project cost estimate is the same at \$250 million. In the lake-by-lake approach a cost increase at Secord would have been \$932/year in the prior chart (Row B), the method moves the number down to \$345 on average (Row D).

So, there will be discussion over the coming months of project costs, and we will have more detail at the board, but what is more important is why cost estimates went up for Secord:

- Cofferdam design following experience at the Tobacco Dam interim stabilization work
- Increased unit price and volume of primary spillway and powerhouse concrete
- Larger downstream primary spillway stilling basin following Computational Fluid Dynamic (CFD) model results
- Modification of auxiliary spillway from concrete flashboard with downstream rock channel to RCC side channel spillway following the risk analysis on downstream impact and Value Engineering efforts
- Increase in embankment fill from downstream slope
- Decrease costs in seepage cutoff wall costs (Soil Cement Bentonite (SCB) vs Steel Sheet Pile (SSP))

By working on all four dams, at the same time, we have the momentum now to start to transition to get the costs more narrowed down, and our focus is to keep the total costs in control. Secord had significantly more challenge to get to a compliance design than anticipated.


You may be asking, what does all of this mean to Secord?

- 1) Secord is on schedule to return in 2024.
- 2) While the cost to restore the Secord Dam went up, the annual assessment stayed relatively the same.
- 3) The State funding moves the need for a Secord Capital Assessment to the 2024/2025 timeframe.
- 4) The plan lowers risk substantially on timing and costs for all lakes for the property owner.
- 5) Protects all the homeowners, as this plan provides more certainty.

These lakes would never have been restored had the counties chosen not to rescue them from their owner and worked with the Four Lakes Task Force to recover and restore these dams. It's important to understand the dams are owned by the counties, and the State grants were to lower the burden on all the lake communities to make it affordable. The methodology is intended to give each of the Four Lakes properties in the Four Lakes Special Assessment an equivalent assessment allocation of cost based on the properties' equivalent benefit. This is created by two simple facts: the county acquired the lakes, and the State has funded 80% of their restoration.

I appreciate the partnership that is developing among all the Lakes. There was a significant positive shift here, and I hope this puts things in perspective.

Sincerely,



Dave Kepler
Four Lakes Task Force