

FRIENDS OF LAKE MCQUEENEY

DRAFT MINUTES OF ANNUAL MEETING – June 8, 2019

Note: these are draft minutes which the Board of Directors has reviewed and recommended for approval at the next Annual Meeting in 2020

President Bob Spalten called the 2019 FOLM Annual Meeting to order on June 8, 2019 at 10:02 at the Lake Breeze Ski Lodge. Other directors in attendance included Paul Mueller, Berny Croan, Gary Spence, Al Bacon, Cindy Reyna, Angela Twitero, Karen McMillan, Sadie Stanley, Jamie Long, Larry Schwab, Weldon Dietze, Troy Herring, Mark Williams, Matt Hannon and Frank Panebianco. Bob had each board member introduce themselves.

The meeting was well attended with some members having to stand. In addition to FOLM members and invited speakers, the presidents of the Protect Lake Dunlap Association and Friends of Lake Wood were in attendance. The failure of a gate on Dunlap Dam on May 14 has led to concerns about a future failure of the McQueeney Dam and the steps to be taken to preserve Lake McQueeney. This was the focus of the presentations and discussions. Bob then introduced the first speaker.

Rep. John Kuempel – Rep. Kuempel began by recognizing how important the lakes along the Guadalupe have been to so many people for many years, himself included. He recounted how after a May 14 phone call from GBRA advising about the gate failure, he and Sen. Campbell did their best to seek funds for the repair of Dunlap but time was against them. It was late in the legislative session and all of the available funds had already been appropriated. Efforts are continuing; he and others met with the Governor's Office yesterday. It was largely a briefing session to give them an understanding of the problem. The Governor has some discretionary funds available; otherwise appropriations would have to wait until the next legislative session in two years.

A group effort is needed to address the problem. A task force has been created including the county judge and the lake associations. Possibly a public improvement district could be created which could seek a loan from the Texas Water Development Board. At least \$1.5 million of funds in hand would be needed to qualify for such a loan. And Kevin Patteson, GM/CEO of GBRA, is currently in Washington, D.C. to seek federal funds. Rep. Kuempel noted that FEMA funds would not be available, since the dams are not flood control dams.

If a special taxing district was set up, would it be one district for the whole river or 6 separate districts? Rep. Kuempel thought that 6 separate districts might be better. Creation of a district would be through a vote of property owners in the district. He concluded by noting that it's only been 3 weeks since the gate failure – we are still in the early stages of figuring out a solution to the problem – but we all need to pull in the same direction.

Guadalupe County Judge Kyle Kutscher – Judge Kutscher started by noting that he had been unhappy with the emergency notification following the Dunlap failure and so their emergency warning protocols have been rewritten.

The 450 properties in Guadalupe County along Lake Dunlap have an appraised value of about \$245 million. It's hard to say how much values would drop if the lake is not restored, but an extreme case would be to assume a 50% decrease in value. He views such a drop as being unrealistic, but it provides a handle to analyze the situation. The county would lose \$400 K per year in tax revenue, but this is far smaller than the

\$1.7 to 2.2 million/yr needed to pay off a \$30 million bond. So if the bond payments were being paid for just by the county, the rest of the county taxpayers would be paying the bulk of the costs, and this would be politically unacceptable.

Viewing all of the hydro lakes in Guadalupe County together, there is about \$1 billion of assessed waterfront value. This makes up about 7 to 7.5% of the total county tax base. Using the same extreme case of a 50% reduction in value, the county would lose about \$1.9 million in tax revenue. But if the repair of all of the Guadalupe County dams would cost \$120 million, the debt service on 20 to 30 year bonds would be on the order of \$7.2 to \$8.8 million/yr. Looking at the waterfront values by lake, the figures are:

Lake Dunlap	\$245 million
Lake McQueeney	\$550
Lake Placid	\$173
Meadow Lake	\$ 59

He again noted the lack of support in the rest of the county for subsidizing the repair of the dams. Consequently, funding of the dam repairs solely by the county can be ruled out. Funding of a portion of the cost is a possibility but not a certainty.

He also noted that Lake McQueeney is a private lake, with no public boat ramp. That makes it more difficult to seek support from the rest of the county.

A task force has been formed with members from the county, each of the lake associations, Rep. Kuempel's office, and Sen. Campbell's office. Perhaps Gonzales County will be included, and perhaps the Guadalupe Basin Coalition. The task force needs to meet regularly and to communicate with the public through a website.

Judge Kutscher tried to put the size of the dam problem in perspective by comparing it to the county budget. The current county budget is \$56 million, and the county has reserves of \$20 million. In contrast, the repair of the four dams in Guadalupe County is estimated at over \$120 million.

A county attorney is looking into the formation of special taxing districts. There could be problems in defining who would be in the districts. To set up a special taxing district, first there would be a petition, then a vote, then an election of a board, then a vote to set the tax rate. The specifics and time lines are being investigated. In the past, the county has run into problems with the constitutionality of some special taxing districts.

Regarding the structure of taxes, Judge Kutscher noted that only about 18% of property taxes go to the county. The bulk of tax money goes to school districts. If valuations drop, school districts lose revenue and there would be an impact on state funding. Perhaps this effect could be used to argue for state aid. This issue needs to be looked into.

Judge Kutscher also wonders if there is some way that the flooding issue could be leveraged to gain financial assistance. He recognized that the dams are not flood control dams, but by having gates that can be lowered, flood levels can be mitigated.

Judge Kutscher mentioned that the day after the gate failure, he looked into whether the failure could qualify as a disaster in order to gain funds. However it did not meet the threshold to count as a disaster.

Asked about what the community could do to help, the Judge said that we have a working group in place, and that group needs to communicate with the community and vice versa.

Jonathan Stinson, Deputy GM of GBRA – Mr. Stinson began by saying that we all know now that the problems with the dams are real. All of the dams need to be repaired. In the time since the Lake Wood failure, GBRA has investigated to determine the best type of repair. Hydraulic gates appear to be the best option. The cost estimate is about \$180 million to repair all 6 dams.

He noted that GBRA bought all of the dams in 1963 for about \$4 million, and since then have spent about \$30 million on maintenance. Two of the six lakes are private. They aren't water supply lakes; to the extent that water is taken from them, the river is simply used as a conduit to take supplies from Canyon Lake to distribution facilities. As hydroelectricity generating facilities, he noted that GVEC (the sole customer) has been paying higher than competitive rates for electricity under the current long term contract.

GBRA's largest business is water distribution. Its rates to water customers must be fair and are subject to PUC regulation. It cannot charge water customers more in order to pay for the unrelated business of hydroelectricity. GBRA has already made about \$4 million of intra-GBRA loans to support the hydrodams. The net revenue from hydroelectricity cannot repay these loans. And GBRA has already allocated about \$3 million for the engineering design of repairs to Wood and Dunlap.

He warned that the dams will fail; that is a fact. We just don't know when. The restricted zones above the dams have been increased to provide more safety in case of a gate failure.

Repairs to the dams will require the diversion of the river, but GBRA no longer owns the land adjacent to the dams that could be used for a diversion channel. This is another problem to consider.

It's important to let our representatives in Congress know about our needs – Rep. Gonzales for Guadalupe County and Rep. Cloud for Gonzales. Mr. Stinson will be joining Kevin Patteson in Washington, DC to seek assistance at the Department of Energy. We need to get all of the stakeholders to work together to achieve a final solution.

Installation of new hydraulic gates would cut GBRA's operational costs. Currently the gates have to be manned at times of high flows but new hydraulic gates could be operated remotely from a central control room. What are the benefits of gates that move? By lowering the gates at times of high flows, flood levels are reduced upstream. Furthermore, the installation of fixed gates would increase the danger of a dam overspill which could lead to severe erosion and the catastrophic failure of a dam.

Why can't we rebuild the bear trap gates, or do something cheaper? The only facility GBRA knows of that has installed a new bear trap gate says it was the wrong decision. GBRA commissioned Friese & Nichols to carry out a study of alternatives, and they would be happy to release the report.

Has GBRA talked to the Army Corps of Engineers? Yes, but they have no experience with bear trap gates. They shared some of their experience with hydraulic gates, which confirmed GBRA's conclusion that hydraulic gates are the best way to go. Aside from the gates, are the basic structures of the dams ok? Yes, although there is money in the repair estimate to take care of minor deficiencies in the dams.

What is the current status of repair work on the McQueeney Dam? All work has been halted (and at other GBRA dams, too). There is scaffolding in Gate 1. For safety reasons, given the unpredictability of gate failure as happened at Dunlap, they are not going to continue with the repairs. They are unwilling to raise the lake level to normal, because the lower level reduces the pressure on the gates. The current lake level will be maintained indefinitely until a final fix is undertaken.

Will the Dunlap failure affect flooding on McQueeney? There will be no effect.

There are funds for various purposes from the Texas Water Development Board and GBRA has been in contact with them. Their SWIFT fund is for water supply and is not applicable to our situation. But there is a flood infrastructure fund, which has been amended through efforts by Rep. Kuempel and Rep. Lyle Larsen to include hydro lakes. However, any such loans must show a revenue source.

Bob Spalten mentioned that any assistance from the state would be a long time in coming. It's two years until the next legislative session and then 3 yrs for engineering and construction at McQueeney. He feels that is unacceptable. Perhaps an infrastructure development fund could be set up as a private initiative in a relatively short time. And perhaps a cofferdam could be installed as a temporary measure.

Why has the cost estimate for repairs gone up so much? At last year's annual meeting, GBRA provided an estimate of about \$5 million per gate for hydraulic gates, now it's almost \$10 million. The cost increase was attributed to more detailed engineering work and better project definition.

Will GBRA continue in the business? GBRA now plans to be part of the process. When they go to DC, people are surprised that they are still in the business, as most such small hydroelectric producers have quit the business. GBRA has already committed \$3 million for engineering studies. However, if any party is interested in purchasing the dams, they would be happy to sell for one dollar.

How much would dam removal cost? There was a rough estimate of \$10 million for the removal of the Lake Wood dam.

How will FOLM be involved in solving this problem? Bob mentioned how FOLM is taking part in the task force along with the county and other lake associations. He noted how the local economy would be impacted by not having the recreational activities on the lake. If there is voting to set up a special taxing district, voting would be by property owners and would not depend on whether you are registered to vote at that location. This would be important for the large number of owners whose lake properties are second homes. Bob mentioned the issue of who to include in a special taxing district – do you include all owners in a development that has lake front facilities or only those who have property on the lake. How will FOLM communicate? By e-mail and by information on its website.

At this point, Bob thanked the speakers for taking part at this meeting. He invited all those who were interested in the administrative aspects of the annual meeting to remain, otherwise all were welcome to leave.

Minutes - The Minutes of the last Annual Meeting on June 23, 2018 were approved as drafted.

Treasurer's Report – Jamie reported that FOLM currently has a bank balance of approximately \$269,000. Expenses during the 2018-2019 fiscal year amounted to \$13,752. Debris clean-up and removal costs were about \$4,500. Insurance was about \$1,500; testing of lake water was about \$3,000. Revenue amounted to \$56,453. The Treasurer's Report was approved.

Membership – Sadie reported that FOLM currently has 318 members, not including about 30 who joined today. The average donation was \$138. About 45% of members are non-full-time residents. Bob presented Sadie with a \$100 gift certificate in appreciation of all of her efforts.

Recognition – Bob thanked Rick Thalen for his help in managing the website, and he was presented with a \$100 gift certificate in appreciation of his work.

Lake Cleanup – Angela Twitero reported on FOLM's efforts to keep the lake free of debris. A lot of huge debris was carried into the lake by the surge resulting from the Dunlap gate failure. She has been working

with T.J. Scott to survey the lake and identify stuff for removal. She mentioned what one member did recently. He spotted a railroad-tie-size piece of debris and pulled it and secured it to his dock. Then he contacted Angela who arranged for its removal. This kind of initiative removed dangerous debris immediately from the lake and should be emulated.

Results of Board Election – The results of the election were that all of the candidates listed on the ballot won election; there were no write-in candidates who were elected. The new board is comprised of the following members:

Zone 1	Woodlake & Happy Haven	Dwayne Gerlich & Larry McDaniel
Zone 2	Laguna Vista	Joe Hugenberg & Paul Mueller
Zone 3	Lake View Trail	Berny Croan & Gary Spence
Zone 4	Treasure Island	Al Bacon & Cindy Reyna
Zone 5	Terminal Loop	Bob Sims & Angela Twitero
Zone 6	Lake Ridge	Karen McMillan & Sadie Stanley
Zone 7	At Large	Jamie Long, Bob Spalten & Larry Schwab
Zone 8	Bandit & Vista del Rio	Weldon Dietze & Troy Herring
Zone 9	Hot Shot Lane / Isle of View	Mark Williams
Zone 10	Las Brisas & Las Hadas	Matt Hannon & Frank Panebianco

The two directors from Zone 1 are new to the board; all of the other directors served on the previous board.

There was no further business or discussion and the meeting was adjourned at 11:45.

Larry Schwab, Secretary