

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
JANUARY 22, 2007

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, January 22, 2007, at 10:00 a.m., at the Emerald Bay Club, Emerald Bay, Bullard, TX 75757. Present were Directors Bill Harris, Ray Hartley, Deena Johnson, Howard Rutherford, and Bob Worsham. Three Emerald Bay residents also attended.

President Harris called the meeting to order at 10:03 a.m. Mr. Harris noted Jim Barkley had requested permission to park the enclosed trailer used to house donated items for the scholarship fund garage sale on MUD property. Director Hartley advised it would be necessary to obtain insurance coverage for the trailer and get a waiver to protect the District against any liability. This request will have to be given further consideration.

Director Harris asked for comments on the Minutes of the December 18 regular meeting and December 19 training meeting. **Director Hartley made a motion to approve said Minutes as written. Upon second by Director Worsham, all Minutes were approved by unanimous consent.**

Director Hartley presented the District's year-end (as of September 30, 2006) financial audit report prepared by Norman L. White, CPA. The CPA report stated the District's Investment Officer (Hartley) had not completed the ten (10) hours of continuing education requirement. This is noted only as an immaterial instance of noncompliance that has no effect on the financial statements. Mr. Hartley advised that District funds are only invested in bank certificates of deposit and money market accounts. Mr. Hartley also noted that Hibernia Bank had not covered an excess of \$100,000 with pledged securities and the matter has been corrected by the bank. **Director Hartley made a motion recommending approval of the 9/30/06 audit report. Upon second by Director Rutherford, said audit was accepted by unanimous consent.** The annual filing affidavit will be executed by District President, Bill Harris, and a copy of the audit report will be placed in the Club library for public review.

Director Hartley reviewed the District financial statements as of December 31, 2006. Under sewer system operations, net income was \$112,634, operating income was \$8,083 (approximately \$2,000 more than budgeted for the period), and maintenance expense was \$2,019 less than budgeted. Under water system operations, net income was only \$4,343 (\$6,700 less than budgeted for the period). In December 2006, water usage was only 90,000 gallons/day compared to summer water usage of 500,000 gallons/day.

Upon motion duly made (Hartley) and seconded (Rutherford), the 12/31/06 financial statements were approved by unanimous consent.

Under other financial matters, Director Worsham mentioned that Constellation Energy (present electricity provider for MUD, Club and Community Church) is willing to discuss combination of residential and commercial services for better rates for the District. Director Harris mentioned a group is working on a long-term study of the District's financial program. Mr. Harris also noted that Southern Utilities notified its customers of an increase in water rates: new base rate \$14.75 with \$1.75 per 1,000 gallons up to 10,000 gallons; \$2.50 per 1,000 gallons from 10,001 to 30,000 gallons; and \$4.50 per 1,000 gallons over 30,000 gallons. Mr. Harris will write a dissertation about the MUD and rates on the new webpage.

A Windcliff Harbor resident, Robert Randall, requested the Board revise his tax equivalent charge for a vacant lot that had been combined with his residential lot by the Smith County Appraisal District. **Director Hartley made a motion to separate Mr. Randall's vacant lot from the residential property in regard to the tax equivalent charge thereon. There was no second to said motion and the Board denies the request.** Director Hartley will so notify Mr. Randall.

Director Harris addressed the legal opinion rendered by the District's Austin law firm, Potts & Reilly, regarding the right to charge a flat fee to customers outside the District's CCN (Certificate of Convenience and Necessity) in lieu of a tax. Mr. Harris then asked the Board whether the District wants to put Windcliff Harbor inside its wastewater system CCN. In order to do so, the District would have to apply to the State Legislature in the next legislative session. Directors Harris and Hartley will call Susan Potts to determine if the MUD wants to pursue this avenue.

As an aside, Mr. Harris noted there are 27 homes within Windcliff Harbor using the District's sewer service. The remaining homes (approximately 23) in Windcliff Harbor use septic or aerobic systems. If the additional homes were required to convert to the District's sewer system, it would increase the tax base thereby creating a tax reduction for District customers. Director Johnson was directed to check the District's Rules and Regulations to determine whether all customers with septic systems are required to connect to the District's sewer system upon change of ownership.

An Emerald Bay resident, Jim West, requested the Board adjust his \$500 new member utility transfer fee paid in December 2006 to the \$350 fee which became effective January 1, 2007. **Director Hartley made a motion to approve Mr. West's request for adjustment to the new lower fee of \$350. There was no second to the motion. It was the consensus of the Board that the new fee was not effective until January 1, 2007, and denied the request.** Director Hartley will so notify Mr. West.

Director Hartley advised the District's insurance company agreed to bond the Emerald Bay Club in the amount of \$70,000 (\$60/year premium) to cover the bookkeeping, billing and collection functions. **Director Harris made a motion to**

approve the \$70,000 bond to cover the Club's handling of District funds. Upon second by Director Worsham, the motion was approved by unanimous consent.

All water and sewer billings must be prorated to date of change of ownership or termination of service. Upon notification of change of status, the water meter will be read by a District representative. Director Harris suggested the Club email the District any change of status (such as approval of new member by Club Membership Committee) so the meter can be read on the effective date of the change of ownership or termination of service.

Director Johnson reviewed the proposed revisions to Sec. 2.06 of the District's Rules regarding timeframe for declaring water and sewer service billings delinquent and subsequent disconnection of service. Director Hartley proposed a change to paragraph (f) to read previous month's billing due date, and paragraph (g), subparagraph (3) proposed adding --**If the District provides only sewer service to the Property Owner,** such sewer service will be disconnected by digging up the sewer tap. **Director Johnson made a motion to approve the revisions to Sec. 2.06 with the noted changes. Upon second by Director Rutherford, the revisions were approved by unanimous consent.**

Director Johnson reviewed the proposed revisions to Sec. 2.11 of the District's Rules regarding line breaks and leaks. Director Hartley proposed a change to paragraph (b) to add the following—**Any expenses incurred by the District in repairing these leaks will be billed to the Property Owner.** **Director Harris made a motion to incorporate the changes and publish the revisions. Upon second by Director Rutherford, the motion was approved by unanimous consent.** The revisions to Sec. 2.06 and Sec. 2.11 will be published in the Bullard Banner for two consecutive weeks and will be effective five days after the second publication.

In regard to field operations, Director Rutherford confirmed the diesel generator is operational and he has ordered parts for the engine and respirator filters. A District contractor will dig up and repair the cracked pipe at the Henry Drive lift station. He will also consult the District's Operator regarding the installation of a pop-off valve at that lift station. The road at well site #1 washed out during the last rainstorm so a wooden retaining wall will be built to prevent future washouts.

In regard to plant operations, Director Harris is developing a plan and obtaining quotes from several contractors for plant facility expansion. Director Johnson will get dimensions of file cabinets (both vertical and lateral) for space planning.

Director Harris suggested that Director Worsham contact the Athens Fish Hatchery to get fish to eat the duckweed in the two effluent ponds.

In regard to other matters affecting the District's provision of water and sewer service, Director Harris discussed the inflow of rainwater into the sewer system during rainstorms. Normally, the District's sewer system processes 70,000 gallons of water per day. During the last storm, the system processed 400,000 gallons of water. He

proposed forming a study group to identify where the influx of water is entering the system's manholes.

Mr. Hartley requested that Director Rutherford check Jim Carroll's sprinkler system conversion from lake water to potable water for possible cross-contamination of the District's system.

Club Director Jim Stafford asked for guidance on issue of maintaining prime in the pump used for the fire control system. District President, Bill Harris, advised the Club must (1) connect the auxiliary pump suction side to the golf course water distribution system to maintain prime, (2) insulate (build a cover) to protect the pump from freezing temperatures, (3) install a better check valve to eliminate leaking (approximately \$1,000 for parts), (4) bury the suction line in deeper water; and (5) conduct monthly fire drills as part of security procedures.

There being no further business, the meeting was adjourned at 12:29 p.m. upon motion duly made (Hartley) and seconded (Harris) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:
Financial Statements 12/31/06
Rules Revisions