

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**FINAL AND APPROVED**  
**MINUTES OF REGULAR MEETING**  
**JULY 20, 2009**

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, July 20, 2009, at 5:30 p.m., in the Emerald Bay Club, Presidents Room, 208 South Bay Drive, Bullard, TX 75757. Present were Directors Bill Harris, Ray Hartley, Paul Randolph, Deena Johnson, and Jo Sharp. Seventeen (17) Emerald Bay residents attended.

President Harris called the meeting to order at 5:30 p.m. and asked for comments on the Minutes of the June 15 (Regular) and July 10 (Special) meetings. **Director Harris made a motion to approve the Minutes of both meetings. Upon second (Sharp), the Minutes of June 15 and July 10 were approved by unanimous consent.**

Treasurer Hartley presented the financial report as of June 30, 2009. Hartley noted both sewer and water system operations had positive cash flow for June. Net income for the sewer system operations was \$9,256 and \$13,621 for the water system operations. Hartley also noted that expenses are higher than last year for both operations. The balance sheet shows cash accounts \$27,696 above budget and \$96,873 more than last year. July was the second highest water usage month (10 million gallons) since the water system went on line in September 2006. **Director Hartley made a motion to approve the financial statements for June 30, 2009. Upon second (Johnson), the financials were approved by unanimous consent.**

Treasurer Hartley presented a property tax rate calculation for the 2009 ad valorem taxes to be levied by the MUD and collected by Smith County Tax Assessor/Collector. The final payment (\$91,625) on the 2002 \$1.7M bond issued to pay for the golf course sprinkler system will be made in February 2010. To make the final payment, Hartley calculated the 2009 tax rate at 5.7 cents per \$100 property valuation (compared to 21 cents for 2007 and 19.4 cents for 2008) based on preliminary assessed value for property within the District. The Smith County tax statement for 2009 will mark the end of property tax assessments for the Emerald Bay MUD. **Director Sharp made a motion to approve the tax rate of 5.7 cents per \$100 property valuation for 2009 tax year. Upon second (Johnson), the 2009 tax rate was approved by unanimous consent.**

Director Harris prefaced discussion of the Chapter 2 rule changes with the incident that prompted the action. A customer (122 Emerald Bay Drive) had used the District's cut-off valve to cut off water to his residence. Such action resulted in damage to the cut-off valve which caused a water leak. To repair the damage, the District was forced to shut off the water to the Clubhouse for about two hours. Only District representatives are authorized to use such cut-off valves, and a strict warning was issued to the customer. The customer was given a gate valve to be installed on his water line for

future use. After a second violation by the same customer, Director Harris advised Secretary Johnson to draft rule changes to address such violations. Director Johnson researched the TCEQ regulations and consulted the District's attorney, Glen Patrick, regarding meter tampering provisions and penalties. Director Johnson read into the record the proposed revisions to Sections 2.05 and 2.08 to include provisions for tampering with meters, cut-off valves, utility connections, and/or any other District equipment and the penalties related thereto. **Director Randolph made a motion to adopt the proposed Chapter 2 rule changes. Upon second (Sharp), the meter tampering provisions and penalties were approved by unanimous consent.** Thereupon, Director Johnson explained the revisions must be published in the newspaper once a week for two consecutive weeks before becoming effective.

Under field/plant operations, Director Harris addressed the complications related to repairing the leaking fire hydrant on LaSalle Drive. Fire hydrants should have a valve to prevent geysers if struck by a vehicle. To repair the fire hydrant, the water will have to be shut off. Any time there is a loss of water pressure on the District's side of the meter, there is a risk of contamination. Therefore, the District must issue a boil water notice for the community or area affected by the pressure loss until coliform tests are negative (approximately 24 hours). Also, after the hydrant blow off, there might be some discoloration of the water.

Director Harris offered a clarification that the MUD is not an agency of the state. The MUD is defined as a political subdivision of the state. Much like a school district, the EBMUD is accountable to the people who live within the district. The district's boundaries are coexistent with those of the HOA. The state legislature established a governmental agency, the Texas Commission on Environmental Quality (TCEQ), to regulate water, wastewater and municipal utility districts such as the EBMUD. However, the State of Texas cannot take over control of the MUD. Just as the Smith County Health Department inspects and regulates the Club's kitchen facilities, the TCEQ has enforcement over the EBMUD. The TCEQ oversees public health issues and notifies the MUD of any violations. If any such violations are not rectified, the district is fined. Director Harris reminded members that they own the water and sewer system.

Director Harris explained some of the District's maintenance issues and the volume of economics which justify hiring professionals to operate the water system, sewer plant, and streets. He discussed the low water pressure issue affecting parts of Fairway and North Bay. This issue could be alleviated by installing a booster pump or changing the existing 3-inch line to an 8-inch line. A resident, Wayne Gage, noted an odor problem at the pump station behind his house. He was advised the District's operator would check it out.

Harris updated progress on the #3 water well project noting completion of well site surveys. Bid packages will be mailed to contractors and notices published in the newspaper. The District can pick and choose among the phases of construction or contract out every aspect of the project.

Harris assured members the district will not run out of water, but very strict rationing could be required for an extended period of time. Harris advised the State of Texas will adopt water control districts for Smith County in the near future. Members of these districts will be elected by Smith County to control the aquifers from which the MUD pumps its water. Said water control districts will require permits and dictate where to drill, how deep to drill, maximum gallon allowances, etc.

There being no further business, the meeting was adjourned at 6:40 p.m. upon motion duly made (Randolph) and seconded (Sharp) with unanimous consent.

Respectfully submitted,

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Deena M. Johnson  
Secretary

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Bill Harris  
President

Attachments:  
Financial Summary 6/30/09  
Property Tax Rate Calculation 7/12/09  
Chapter 2 Rule Changes