

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**FINAL AND APPROVED**  
**MINUTES OF REGULAR MEETING**  
**AUGUST 21, 2006**

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, August 21, 2006, 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. Also in attendance at the meeting were five Emerald Bay residents.

The meeting was officially called to order by President Bill Harris at 10:00 a.m. President Harris called for comments on the Minutes of the July 17 (Regular), July 21 (Special and Construction), July 24 (Construction), August 8 (Special), and August 10 (Construction) meetings. There being none, **Mr. Hartley made a motion to accept the Minutes of all six meetings as written. The motion was seconded by Mr. Rutherford and all Minutes were approved by unanimous consent.**

Director Hartley presented the July 2006 financial statements for review and comment. Mr. Hartley noted that Net Ordinary Income for July was \$14,819, which is \$4,100 more than budgeted. He also noted that legal expenses incurred during water project construction are more than budgeted. After further discussion and clarification of questions, **Director Hartley made a motion to approve the July 2006 financial package. Upon second by Director Johnson, the financial package was approved by unanimous consent.**

Director Hartley presented for review and comment revised estimates of the 2005/2006 budget for two months only (August and September 2006) for both water and sewer operations. The budget reflects a flat rate per water meter of \$25.00 for 2,000 gallons and \$2.25 per gallon thereafter. He also noted the water facility expense recovery fee of \$25 will be billed through October 2006. **Upon motion by Director Rutherford (seconded by Director Worsham), the revised budget for August/September 2006 was approved by unanimous consent.**

The proposed budget estimates for October 2006-September 2007 for sewer operations was presented to the Board for consideration. Treasurer Hartley asked for input on capital expenditures and improvements anticipated for the sewer system. President Harris discussed the need to extract the sediment (grit) in the aeration chambers of the treatment units. In the past, the grit was shoveled out by a contractor at a cost of approximately \$40,000. Director Harris recommended installing a centrifuge to disperse grit and thereby improve efficiency and reduce the cost of sewer plant operation. Mr. Hartley budgeted \$3,000/month for sewer system repairs and maintenance. Director Harris asked that the \$6,000 for the new chlorine system at the sewer plant shown as a

September 2006 expense be transferred to October 2006 budget. Plant operating expense is shown at \$2,500/month (not based on Wilkins' preliminary proposal).

Discussion was then directed to the budget estimates for October 2006-September 2007 for the water system. Utilities estimate based on current TXU rates. Electricity rates can be negotiated once a usage history has been established for the new water system operation. Approximately 5MM gallons were pumped during testing and start-up. Mr. Hartley calculated the electricity cost for operation at 63 cents/1,000 gallons pumped. Plant operating is budgeted at \$2,025/month (Wilkins' proposal). Repairs and maintenance is budgeted at \$4,600/month. Monthly net operating income must cover the \$10,700 payment due Capital One on the construction loan. The bank will pay four percent (4%) interest on EBMUD funds placed in a money market account. Mr. Hartley asked that the September 18 regular meeting agenda include review and approval of the October 2006-September 2007 budget.

In a brief operations report, Director Rutherford advised one of the sewer plant blowers was out of service for repairs, three check valves needed to be replaced, a transducer at lift station #8 would be repaired/replaced, floats were installed at Henry Drive lift station, and Carver residence damage repaired by Service Master. In regard to water system operations, Director Rutherford advised Jimmy Russell added \$900 to the road proposal to move equipment and a meeting with Jacobe Bros. to discuss concrete job at well site #1 was scheduled later that day.

Director Hartley presented the water project status as of July 31 noting the revenue bond amount is \$1,675,000. The original construction estimate was \$1,868,966. Director Harris advised a town hall meeting would be scheduled after Labor Day to inform the District's customers of all facets of the new water system (rates, fees, rules, etc.).

As the District's focus changes from construction to daily operation of the new water distribution system, President Harris suggested a reorganization of directorial duties. The location of all sewer collection lines, water distribution lines, and isolation valves must be documented for computer database mapping. Mr. Harris recommended using a magnetometer to locate isolation valves, etc. Another issue is the low water pressure in areas of the community having only 3-inch distribution lines. Any changes to the system, such as installing a booster pump, will have to be designed by the District's engineering firm, Brannon Corp., and submitted to the TCEQ for approval. Mr. Rutherford recommended a special meeting for further review and discussion of the reorganization and assignment of directorial duties. Secretary Johnson will schedule the meeting and post notice.

Director Worsham addressed the security issues at the remote well sites. Mr. Worsham recommended using chains to secure the valves, case-hardened padlocks on all buildings and gates, and surveillance cameras to monitor activity at all District installations. Mr. Harris verified that a surveillance camera will be part of the planned

telemetry installation. Director Worsham was directed to obtain three proposals for security padlocks.

In regard to other matters affecting the District providing sewer and/or water service, Mr. Hartley noted the need to replace some residential water meters which were leaking and/or illegible. Mr. Hartley suggested a gradual replacement of meters with electronically readable meters or consider financing purchase over five-year period. National WaterWorks could provide meters and purchase plan.

Director Worsham will provide a list of expenses (total \$4,989) incurred by the District to finalize construction of the elevated storage tank. Terry Cowan is preparing the property description for the third well site. Pending boring projects: EB guardhouse, Morley construction sites on LaSalle, and relocation of fire plug on South Bay.

Drs. Harris and Hartley will meet with Wilkins Contracting to negotiate a new operator contract to manage the District's water and wastewater systems. The District also advertised for a licensed operator in the Tyler and Longview newspapers. Drs. Worsham and Rutherford will draft a job description for the water plant operator. The directors were polled on issue of plant operator mowing the wastewater treatment plant, two remote well sites, elevated storage tank facility, and undeveloped lots within the District. Of the five member board, only Director Harris was in favor of the proposal.

There being no further business, the meeting was adjourned at 12:32 p.m. upon motion duly made (Johnson) and seconded (Hartley) with unanimous consent.

Respectfully submitted,

Deena M. Johnson  
Secretary

William F. Harris  
President

Attachments:  
Financial Report for 7/31/06  
Revised Budget for 2005/2006  
Proposed Budget for 2006/ 2007  
Water Project Status for 7/31/06  
Tips on Watering Lawns