

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
JULY 16, 2007

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, July 16, 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, and Paul Randolph. Director Howard Rutherford was excused. Three Emerald Bay residents attended the meeting.

President Harris called the meeting to order at 10:08 a.m. As the first order of business, Director Johnson announced Paul Randolph had been appointed on June 22, 2007, to fill a Board vacancy. Director Randolph had been sworn in and taken the oath of office.

President Harris then asked for comments on the Minutes of the June 18 (regular) and June 22 (special) meetings. **Director Hartley made a motion to accept the Minutes as written, which was seconded by Director Johnson, and said Minutes were approved by unanimous consent.**

Director Hartley reviewed the financial summary for June 30, 2007, and clarified questions posed on payments to certain vendors. Sewer system income was \$10,000 more than expenses for a net income of \$10,225 (\$1,792 more than budget). Water system operating expenses were high and excessive rains kept residential usage at a minimum resulting in a negative net income of \$3,533. Total cash on hand as of June 30 is \$368,772. **Director Hartley made a motion to approve the June financials. Upon second of said motion by Director Johnson, the June financials were approved by unanimous consent.**

Director Hartley presented a property tax rate calculation spreadsheet for review and comment. The spreadsheet shows comparison of actual assessed property valuations for prior years and estimated/projected valuations for 2007/2008. Mr. Hartley proposed reducing the tax rate from 22 cents per \$100 valuation for 2006 to 21 cents for 2007. It was noted that the District's bonds will be paid off in 2010. **Director Hartley made a motion to accept the preliminary tax rate of 21 cents per \$100 valuation for tax year 2007 pending receipt of certified assessed value from the Smith County Appraisal District. Said motion was seconded by Director Harris, and the tax rate was approved by unanimous consent (Harris, Hartley, Johnson, and Randolph).**

The state attorney and TCEQ mandate the District provide a certified audit report of its financial records annually. **Director Hartley made a motion to appoint Norman White, CPA to perform the District's audit for the fiscal year ending September 30, 2007.** Mr. White's fee to complete the audit is \$2,500 (the same charge

as 2006 audit). **Upon second by Director Harris, the motion to appoint Norman White as auditor was approved by unanimous consent.** Mr. Harris signed the engagement letter as of this date.

Director Harris noted the District must establish commercial sewer rates for its customers—(1) the Emerald Bay Club; (2) Morley's business complex; (3) Blankenship's office; (4) the real estate office at gate; and (5) the Emerald Bay Community Church. Another commercial development is under construction by Gary Root at the marina on CR 344. A flat rate based on estimated flow would be the best method to calculate the rate for commercial usage. Mr. Harris will set some parameters for Kirk Bynum (District engineer) to present options to the Board.

Field operations report--Director Rutherford (absent from meeting) was repairing water leaks on North Bay and Fairway. Mr. Rutherford will take an eight-week leave of absence due to health conditions.

Director Harris addressed an issue regarding the proper abandonment procedure for septic systems no longer in service. Director Johnson was directed to contact Brandon Love with the TCEQ (Tyler office) to obtain the state's abandonment regulations. Director Johnson will draft a letter to the homeowner (Nathan Purvis) requesting timely compliance with state requirements for abandonment thereof.

Mr. Harris outlined the ongoing plant operations. (1) The road to well site #1 was washed out during torrential rainfalls. A culvert was installed and a rock base (gravel) will be added to the road bed. It is also recommended that this section be paved with asphalt. (2) A section of the electrical cable running between the well sites must be buried in conduit (approximate cost \$6,000) to prevent future washouts. (3) Construction is progressing at District plant office. The District contracted two men to complete the plumbing, electrical and carpentry work (labor only) and the District will provide all the materials. (4) Mr. Harris noted the pump on hole #16 is now ready to be hooked up to the golf course sprinkler system. Mr. Harris also noted the Club must institute quarterly fire drills to test the fire control system and equipment. Mr. Boorman (Club president) suggested testing the fire control system every two months to familiarize all personnel with its operation.

Additionally, Director Harris read a letter addressed to Oden Latham, 113 Henry Drive, regarding a manhole under his concrete driveway. The District and its legal counsel determined the cost to excavate and repair the manhole will be borne by the District---not the homeowner. Such expenses are paid from the tap fee account. Mr. Harris reiterated the importance of the Club/HOA working closely with the District on reviewing all building permit applications prior to construction. Mr. Harris will schedule a joint special executive meeting with District directors, Club/HOA members (Boorman, Bonner, Stafford and Gray), and District legal counsel to establish a workable procedure for joint inspection and approval of building permits to avoid future violations.

Directors Hartley and Harris recommended creating an operator (Wilkins) checklist to delineate all operational activities required on a daily and/or monthly basis. Said checklist will be reviewed and updated by directors on a monthly basis.

The project punchlist was reviewed and updated as to projected completion dates. During discussion, Director Randolph suggested the meter readers use a calculator to enter the readings before transferring to the note pad. This might lessen transposition of numbers. Director Hartley advised the meter readers have a new large ten-key pad on which to enter the meter readings. The readers are paid \$0.55 per meter (\$310/month) to read the 564 meters.

Director Harris noted the District has retained a condemnation attorney (Flowers) to obtain a pipeline easement for well site #3 from the landowner (Dean Fountain). Appraisal of property on hold until certain issues are resolved----(1) when and how long does a construction easement allow the District to hold the property; and (2) level or priority of easements—ingress and egress, utility, and underground easements. If this matter goes to court, the judge appoints a three-person panel, the District would testify, and the court would render a judgment.

There being no further business, the meeting was adjourned at 11:19 a.m. upon motion duly made (Hartley) and seconded (Johnson) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:

Financial Statements 6/30/07
Property Tax Rate Calculation
Letter to Latham 7/12/07
Project Punch List
Rutherford Leave of Absence
with pending items list 7/13/07