

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
AUGUST 20, 2007

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, August 20, 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. Two Emerald Bay residents attended the meeting.

President Harris called the meeting to order at 10:02 a.m. Mr. Harris asked for comments on the drafted Minutes of July 16 regular monthly meeting and special meetings on July 3, July 26 and August 8. Director Johnson read one change made by Director Hartley to the Minutes of the July 3 meeting. **Mr. Hartley then made a motion to approve the Minutes of all meetings with the one noted revision. Upon second by Director Harris, all Minutes were approved by unanimous consent.**

Director Hartley presented the financial statements for July 31, 2007. Vendor payments were reviewed and it was noted accounts payable were paid from the sewer fund monies at Austin Bank. The water fund owes \$101,454 to the sewer fund. Austin Bank pays two percent (2%) interest and Capital One pays four percent (4%) on accounts. Mr. Hartley will investigate 90-day treasury bill rates at other banks (i.e.; Southside and Regions).

Mr. Hartley reviewed the District's sewer and water systems operations for the ten-month period ended July 31, 2007. Sewer system operations—total income was close to budget and expenses were over budget rendering net income at \$6,764 (\$4,256 less than budget). Water system operations remain under budget as lawn watering was curtailed by heavy rainfalls during June and July. The July statement of cash flows shows the District's total cash on hand at \$374,276. **Director Randolph made a motion to approve the July financial report. Upon second by Director Johnson, the July financials were approved by unanimous consent.**

Director Harris opened discussion on establishing rates for sewer services provided to commercial users (EB Club, Morley, Blankenship, Root). Mr. Harris stated the most equitable method to determine sewer rates is based on water usage. The Emerald Bay Clubhouse is the biggest water user with an estimated monthly average of 120,000 gallons (August actual was 162,000 gallons). The EB Club has a kitchen, five (5) interior restrooms, and four (4) exterior restrooms on the golf course. To determine rates for the commercial users outside of the District, the water usage can be estimated through wastewater treatment amounts. Mr. Harris noted the importance of establishing a consistent policy for all commercial users. Director Randolph suggested devising some sort of percentage factor to determine commercial rates. The matter was tabled until

Directors Harris and Hartley could discuss a fair method for establishing water/sewer rates with the Emerald Bay Club board members.

Director Harris explained the District's newly adopted rules regarding provision of non-standard water/sewer services for developments and its impact on the District's facilities. Mr. Harris briefed the members on a builder's (Cawthon) proposal to construct six (6) new houses in an interior subdivision. Numerous fees are required in association with any application for non-standard service. Gary Root paid \$2,850 to the District in conjunction with his application for off-site development (office building on CR 344). Mr. Harris queried whether the District should consider a lesser charge for interior development, specifically the \$500 deposit per lot or connection. No consensus was voiced for change and the procedure shall remain as is for now.

Director Harris gave an update on field operations in the absence of Director Rutherford. Mr. Harris is soliciting bids to jet out all the sewer lines from the #3 lift station to the Henry Drive lift station. One bidder affirms their equipment can jet lines up to 12 inches with 4,000 psi for \$2,250 (includes camera viewing for blockage.) Mr. Harris has also received an \$1,100 bid to excavate and repair the manhole on Jason Court. Repairs to power line at well site #1 will begin on August 28 and should be completed by August 31.

Director Harris gave an update on plant operations. The plant office expansion is progressing and the carpenter should finish this week. One of the All-Star blowers at the wastewater plant was repeatedly sent back to Dallas for repair. All-Star has instructed the District NOT to pay for these repairs until their representative contacts the Dallas company to determine whether a different coupler was installed on the blower.

The District adopted the international plumbing codes contingent upon revision by our District engineer, Kirk Bynum, to coincide with the District's requirements. Mr. Harris noted that the City of Tyler plumbing inspectors will do plumbing and electrical inspections for small local municipalities.

Mr. Harris has prepared a state mandated (TCEQ) monitoring plan for operation of the water and wastewater systems to facilitate operator continuity. Directors Harris and Hartley will meet with Joe Wilkins of Wilkins Contracting to review this monitoring plan in conjunction with daily/monthly operator activities.

The August project punch list was reviewed and completion dates adjusted as appropriate. Director Randolph will assume responsibility for the monthly meter reading project. Mr. Randolph suggested the District purchase an inexpensive gasoline cart for meter reading service. Mr. Harris noted some John Deere Gators were available at the auction barn on Hwy 155 for about \$2,500 each. Mr. Harris recommended a heavy duty diesel cart or a pickup to transport pumps and other equipment.

Director Hartley queried the Board members for anticipated capital expenditures and/or major repair projects as guidelines in setting the budget for October 2007-

September 2008. Projects to be included in budget—(1) cleaning of the wastewater pre-treatment tanks (Bynum cost to design; cost to complete the job), (2) convert lift stations to SCADA system (BLOC), (3) one rotophase motor (\$3,000), and two 10HP variable pumps to use as booster pumps for 3 inch lines (Harris to get quotes).

Discussion ensued regarding the financial working group's research into possible refinancing of the District's freshwater distribution system. George Holmes (working group member) recommended the District continue to pursue financing through the Texas Water Development Board (TWDB), the District's present lender, and other lending sources. Director Harris will contact Potts & Reilly to obtain a list of financial contacts. Harris will also ask Susan Potts to write a letter to the TWDB explaining why the District should NOT have to double the amount of money to be borrowed or refinanced. All research data will be compiled and presented to the Board for consideration.

Director Harris advised Wade Parsons (118 South Bay) has requested connection to the District's sewer system. Mr. Parsons' residence has a private lift station. The District's engineer noted the options are to (1) bore under the street to hook on to sewer line or (2) fix the lift station pump. The existing 4-inch sewer line is non-compliant with TCEQ regulations.

There being no further business, the meeting was adjourned at 12:30 p.m. upon motion duly made (Johnson) and seconded (Randolph) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:
Financial Statements 7/31/07
Holmes Email (8/15/07)
August Project Punch List