

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**FINAL AND APPROVED**  
**MINUTES OF REGULAR MEETING**  
**SEPTEMBER 17, 2007**

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, September 17, 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. Four Emerald Bay residents attended the meeting.

President Harris called the meeting to order at 10:08 a.m. Mr. Harris asked for comments on the drafted Minutes of August 20 regular monthly meeting. **Mr. Hartley made a motion to approve the Minutes as written. Upon second by Director Randolph, said Minutes were approved by unanimous consent.**

Director Hartley presented the financial report for August 31, 2007. The sewer system operations—total income was \$23,167 and total expenses were \$14,142 rendering net income at \$7,195 (\$3,095 less than budget). Water system operations remain under budget with net income at \$12,968 (\$8,293 less than budget). The August statement of cash flows shows the District's total cash on hand at \$381,056. The capital fund (which accrues from collection of tap fees/transfer fees) is \$35,636 to cover equipment additions and improvements to infrastructure. **Director Hartley made a motion to approve the August financial report. Upon second by Director Johnson, the August financials were approved by unanimous consent.**

Mr. Hartley investigated interest rates proposed by Austin Bank, Southside Bank, and Regions Bank. Regions Bank had the best interest rate at 4.25 percent fixed for one year. **Upon motion duly made (Hartley) and seconded (Harris), the Board approved the transfer of the District's bank accounts from Austin Bank to Regions Bank and authorized Director Hartley to make said transfer.** Director Johnson will prepare required Resolution to affect said transfer.

Director Hartley presented the proposed October 2007-September 2008 budget for review and comment. Under sewer system, Director Harris recommended the Repairs & Maintenance budget of \$36,000 be increased by \$10,000 to cover the purchase of new blowers. Other capital expenditures included in sewer budget are (1) cleaning wastewater pre-treatment tanks and replace diffusers-\$12,000; (2) spare rotophase motor-\$3,000; (3) convert lift stations to SCADA system-\$30,000; and (4) grit separator-\$80,000. On the balance sheet, the sewer operating fund will be reduced by \$10,000 to \$155,657. Under water system, Director Harris recommended the following changes to the budget: (1) Testing (\$600)—change to \$3,000; (2) Repairs & Maintenance--add \$1,000 to inspect the water tower; (3) Land & Easements—add \$10,000. Director Hartley will review the License & Assessments (\$3,300) and Legal Fees (\$12,000) for possible adjustments. **Upon motion duly made (Hartley) and seconded (Randolph),**

**the Board approved the proposed 2007-2008 budget with the noted changes and modifications.**

Director Hartley noted the need to set lines of authority in dealing with the District's contract personnel to avoid conflicts in the performance of duties and completion of projects. **Mr. Hartley made a motion to authorize only the District president (Bill Harris) to prioritize operational duties and issue instructions for completion of projects. Upon second (Johnson), said motion was approved and Director Johnson was directed to prepare letters to this effect for each contract worker.**

Discussion of well site security monitoring systems was tabled until the next District meeting to afford directors additional time to review proposals from East Texas Alarm and ADT. Director Harris will investigate other options (i.e.; BLOC, pagers and cell phones).

A lengthy debate ensued regarding the assessment of fair and equitable commercial sewer service rates. Director Hartley presented an annualized wastewater treatment flow calculation worksheet showing a total flow of 31,315,100 gallons were treated at a cost of \$321,183. This equates to a treatment cost of \$10.26 per 1,000 gallons. Based on these calculations, the Club's monthly sewer bill would be \$1,000 (average usage 100,000 gallons per month). Director Hartley proposes the non-commercial (residential) sewer rate remain at \$36.67 per month and set a commercial sewer service base rate of \$50 per month. **Mr. Hartley made a motion to adopt an interim commercial sewer service base rate of \$50 per month. This rate will be reviewed and adjusted on an annualized basis on January 1 of each calendar year. Upon second by Director Johnson, the motion was approved by unanimous consent.** The Board authorized Director Harris to present the interim monthly sewer service rate plus a proposed treatment charge of \$10/1,000 gallons to Club president, John Boorman, for further discussion. Director Johnson was directed to draft letters to all other commercial users (Morley, Blankenship, Root) advising of the interim commercial sewer service base rate of \$50 per month. New commercial sewer rates and applicable rule changes must be published in accordance with TCEQ regulations before becoming effective.

Director Johnson presented the proposed water service and sewer service agreements which must be signed by all resident/customers within the District's boundaries. **Director Hartley made a motion to change the water service agreement, paragraph H, to read the same as the sewer service agreement that a payment is delinquent if not received by the "District on or before the last day of the billing month." Director Harris seconded the motion and it was approved by unanimous consent.** Director Johnson proposed the water and sewer agreements be xeroxed on two-sided pages to reduce bulk and included in the Club bill mailing. A letter, co-authored by Club President/Boorman and District President/Harris, will be included to explain that state law requires the District must have signed contracts from all

customers. Director Johnson will send both agreements to the District's legal counsel, Glen Patrick, for review prior to final approval of said agreements.

Director Harris advised the sewer tap installed at 199 N. Bay Drive (Ed Lander) was covered in the ground prior to inspection by a District representative. This procedure is not compliant with the District's rules (Sec. 2.04-Procedure for Connections/Taps). Director Johnson was instructed to prepare a letter to Mr. Lander advising the sewer tap must be uncovered for inspection by the District. If the homeowner does not comply, the District will arrange for its contractor to uncover the tap and charge all labor and equipment costs to the homeowner. No utility service can be commenced until this matter has been resolved.

The Board discussed the procedure for collection of water and sewer tap fees as set forth in Chapter 2, Section 2.01(d) of the District's rules. Director Hartley requested the aforesaid Section 2.01(d) be revised to read: "These fees shall be **billed** by the District for each connection made to the District's water and wastewater systems before the connection is made. On an undeveloped tract or lot, the tap and connection fees shall be **billed** upon approval of the application for the building permit and before construction of any improvements on the tract or lot is commenced, even though the connection itself is not to be made until a later date." **Upon motion duly made (Harris) and seconded (Randolph), the above changes were approved by unanimous consent.**

The Board also discussed the revision of Chapter 2, Sec. 2.04 of the District's rules regarding the procedures for water and/or sewer connections and reconnections (including taps). Sec. 2.04 shall be revised as follows: "All connections and reconnections (including taps) to the District's water system shall be made **by the District at the expense of the person requesting the service**. All connections and reconnections (including taps) to the District's wastewater system shall be made **by a District approved licensed contractor at the expense of the person requesting the service**." **Upon motion duly made (Harris) and seconded (Randolph), the above changes were approved by unanimous consent.** All the abovementioned changes to the District's rules and regulations will be published for two consecutive weeks before becoming effective.

Director Harris gave a brief update on field operations in the absence of Director Rutherford. All-Star (Memphis) estimates the cost to fix the blowers at \$1,800. Installation of a new coupler and laser alignment should relieve the back pressure and the blowers should operate 15-20 years. Mr. Harris recommended fixing the blowers and installing with new pads at a cost of \$2,100. In comparison, a new turbotron blower (belt-driven) would cost approximately \$13,000. The Board gave Mr. Harris authority to proceed with the repairs at a cost of \$2,100.

Director Harris gave an update on the plant office shell replacement project. The building construction labor/materials bid is \$4,580 (Athens bid-\$7,800; Other \$6,400).

Under other matters, **Director Hartley made a motion to purchase an electric Club Car utility cart at a cost of \$2,350.** The cart has a 48-volt system, larger motor, charger, inverter, and windshield. A rotating beacon will be added and an extra battery for the laptop. **Upon second by Director Harris, the motion was approved by unanimous consent.**

There being no further business, the meeting was adjourned at 1:15 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 Statements 8/31/07

Sewer/Water System 2007-08 Budget

September Project Punch List