

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

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, December 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, Paul Randolph, and Howard Rutherford. Four Emerald Bay residents attended the meeting.

President Harris called the meeting to order at 10:08 a.m. Director Johnson asked for comments on the Minutes of the regular meeting on November 15 and two special meetings on November 26 and December 11. **Upon motion duly made (Rutherford) and seconded (Hartley), said Minutes were unanimously approved as written.**

Director Hartley proceeded to discussion of the District's financial audit for fiscal year ended September 30, 2007. He referred to the auditor's report which noted the financial statements fairly represented the District's business-type activities, funds, financial position and cash flows in accordance with accounting principles. The auditor did note a deficiency whereby the Board did not amend the original budget during the fiscal year to reflect more funds were expended for several expense categories. The Board will review the 2008 budget to actual year-to-date expenditures on a monthly basis and, if necessary, amend said budget. **Director Hartley made a motion that the Board approve the audit report for year ended September 30, 2007, subject to any questions that arise at the next regular meeting. The motion was seconded by Director Rutherford and the report was approved by unanimous consent.** Director Harris will execute the annual filing affidavit.

Director Hartley presented the financial summary for November 30, 2007. Under sewer system operations, the administrative/legal expenses are over budget necessitating amendment of the budget for this category. Under water system operations, utilities expense is greater than budgeted with District members requiring more water during recent dry period. As a result, net income from the water system is \$4,241 more than budgeted for this period. The water fund owes the sewer fund \$9,000—which will be transferred in December. Under statement of cash flows for November 30, 2007, cash received from customers was \$105,303, renovation of District building was \$13,750, and ending cash balance was \$425,269. The capital fund has \$44,885 which can be used for system repairs and improvements. **Director Hartley made a motion to approve the financial report for November 30, 2007. Upon second (Rutherford), the Board approved said report by unanimous consent.**

Mr. Hartley discussed the \$1,034 AirMac invoice for work on one of the District's blowers. The District believes the repair (replacement of a bearing) should be

covered by warranty. The blower is scheduled to be shipped to the District on 12/21/07. Upon receipt of blower, the District will contact All-Star regarding warranty on repair. Mr. Hartley will call AirMac to advise the District will pay invoice upon receipt of blower unless All-Star covers repair under warranty. **Mr. Hartley made a motion to hold the AirMac invoice until receipt of the blower and billing notice from All-Star. Director Johnson seconded the motion and it was approved by unanimous consent of the Board.**

Director Harris placed a conference call to Kirk Bynum, the District's engineer, to discuss the renewal of the land application permit for sewage sludge (Permit No. 4509). Mr. Bynum advised the first TCEQ form was completed and returned with a \$120 renewal fee. The TCEQ later notified Mr. Bynum that such permit renewal required a different TCEQ form. The new form required some expensive testing and noted the edge of the disposal field must be at least 750 feet from the nearest occupied residence. Mr. Bynum added the TCEQ requires an annual report by a licensed soil agronomist on the cropping plan and nutrients in the soil, testing of the sludge and land application area. The additional engineering and testing will cost \$5,000-\$10,000 more and the permit renewal fee is \$3,000. Mr. Bynum noted the District could spend a lot of money trying to meet the requirements and still not get the permit. There is no grandfather clause on the distance to the nearest occupied residence. Mr. Harris asked Mr. Bynum to compose a letter stating all the TCEQ regulations regarding the renewal of this permit. Mr. Bynum believes the TCEQ will continue to tighten such regulations. Mr. Bynum's recommendation to the District is to allow the land application permit to lapse and extend sludge bagging operation to 12 months a year. **Director Hartley made a motion to discontinue sludge disposal on District property and begin bagging 12 months a year. Upon second (Rutherford), the motion was approved by unanimous consent.** Director Harris will send an email notification to the TCEQ stating the District will allow Permit No. 4509 to lapse and extend sludge bagging operation to a 12 month program. Mr. Harris will email the District's operator, Wilkins Contracting (Dale Huffman), to submit total settleometer test on a weekly basis.

Director Hartley opened discussion to amend the 2008 budget to provide for increased consulting and legal fees. **Director Hartley proposed increasing the consulting fees from \$500/month to \$1,000/month and legal fees from \$1,500/month to \$2,000/month. He also proposed increasing the capital budget by \$10,000 to secure the easements for the third well site. Mr. Hartley restated the above as a motion. Upon second (Rutherford), the motion to amend the 2008 budget as stated was approved by unanimous consent.**

Director Harris discussed the condemnation of the Fountain property for the pipeline easement to connect to the third well site. Mr. Harris noted the property must be appraised and condemnation papers prepared for presentation to a three-member board for a ruling. Mr. Harris will ask Terry Cowan to provide two possible well site locations (one north and one south) to determine which one is the least intrusive site for the landowner. **Director Harris made a motion that a separate resolution be made to authorize condemnation of the utility easement. The motion was seconded**

(Hartley) and approved by unanimous consent. Director Johnson will prepare a Resolution authorizing Mr. Harris and the law firm of Flowers, Davis, LLC, to proceed with the condemnation of the utility easement on Dean Fountain's property.

Mr. Hartley reviewed the TRWA (Texas Rural Water Association) dues and member services. The TRWA membership renewal fee is \$548.10 or \$873.00 with additional services for legal defense fund and disaster relief. **Director Rutherford made a motion to renew the TRWA membership for \$873.00 to include the additional services. Upon second (Hartley), the motion was approved by unanimous consent.**

Director Hartley presented his calculations for commercial and residential sewer rate structure based on water usage. The spreadsheet shows 2,609,592 total gallons of wastewater treated per month for 578 customers. There are 566 residential sewer service customers (average monthly usage of 4,306 gallons/customer). The total gallons used by the Emerald Bay Club facilities (7) was 141,328 gallons. According to Mr. Hartley's calculations, it cost the District approximately \$8.12 to treat 1,000 gallons of wastewater. At this rate, the Club's monthly wastewater billing for 141,328 gallons at \$8.12/1,000 gallons would be \$1,148. The Club is the largest user and should be charged a different rate than a residential customer. Therefore, the Club and five (5) other users can be considered commercial customers. **Director Hartley made a motion to reduce the residential sewer service flat rate from \$36.67 to \$34.83 (\$35.00 with regulatory fee) to be effective as of January 1, 2008. Upon second by Director Randolph, the motion was approved by unanimous consent of the Board.** Director Hartley will amend the 2008 budget to reflect this reduction of sewer flat fee. Windcliff Harbor customers will also be advised of the reduction to \$35.00/month flat fee. The five (5) commercial customers outside the Emerald Bay gate were advised (effective 11/1/07) of an interim sewer service base rate of \$50.25.

Director Harris noted the District has adopted plumbing and electrical codes for new construction and major remodeling projects in accordance with TCEQ regulations. Director Harris asked Director Randolph to develop a plan, as well as outline the process, whereby building, plumbing and electrical permits will be issued to builders and contractors. **Director Harris made a motion to authorize Director Randolph to proceed with development of a plan to institute issuance of plumbing and electrical permits for presentation to the Board. Upon second (Hartley), the motion was approved by unanimous consent.**

Director Johnson presented for review the Chapter 2 revisions to the District's rules and regulations as proposed in the December 11, 2007, special meeting. **Director Hartley made a motion to accept the amendments to Chapter 2 as written. Upon second (Rutherford), said revisions were approved by unanimous consent.**

Director Hartley expressed his concern regarding security at the remote well sites, especially well site #2. Initial inquiry into security company rates were \$1,500/year to answer phone upon alert from SCADA and \$120/month to monitor well sites. Mr.

Hartley will obtain quotes (ADT and others) on equipment, installation, and monthly charge to monitor well sites. Mr. Hartley will investigate the possibility of the security company installing the equipment and setting up the system so the District can monitor the well sites through its own SCADA system. Mr. Harris stated that BLOC can set up the SCADA system so it dials out if alarm sounds to send alert to designated persons.

Director Harris advised a *State of the Municipal District* statement will be mailed to all District members. Mr. Harris also advised there will be a town hall meeting in February to review the District's annual report, update members on water and sewer systems operations, and conduct open house tours of the well sites and newly remodeled office facility.

Director Rutherford reported the field operations were running smoothly other than the plant blower issue. Director Harris reported the TCEQ inspection of the water system is scheduled for 8:00 a.m. on December 20, 2007. The project punchlist was reviewed and completion dates adjusted accordingly.

There being no further business, the meeting was adjourned at 12:37 p.m. upon motion duly made (Harris) and seconded (Johnson) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:
Audited Financial Statements as of 9/30/07
Financial Summary for 11/30/07
Commercial/Residential Sewer Rate Calculations
District's 2007 Annual Report
December Project Punchlist