

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**FINAL AND APPROVED**  
**MINUTES OF REGULAR MEETING**  
**JANUARY 21, 2008**

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, January 21, 2008, 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. Five Emerald Bay residents attended the meeting.

President Harris called the meeting to order at 10:00 a.m. Director Johnson asked for comments on the Minutes of the regular meeting on December 17, 2007. Director Johnson noted the correction of the sewer service flat rate from \$34.98 to \$34.83 and two other changes to the draft. **Upon motion duly made (Hartley) and seconded (Randolph), said Minutes with the noted changes were approved by unanimous consent.**

Director Hartley reviewed the financial summary as of December 31, 2007. Mr. Hartley explained the intra-fund amount of \$81,591 represents checks paid out of sewer fund monies that should be paid out of the water fund. Said \$81,591 will be transferred from the water fund to the sewer fund in January. Under sewer system operations, Mr. Hartley explained that certain expenses, such as the service fees to the county assessor (\$1,070/quarter) and the tax collector (\$501/month) for property tax collections and engineering fees for study of sludge disposal problems, resulted in lower than budgeted net income for the period ended December 31, 2007. In regard to the water system operations, Mr. Hartley reiterated the higher operating expenses were due to higher water consumption by customers; however, net income was \$12,496 more than budgeted for the period. Mr. Hartley also presented the revised budgets for 2008 reflecting the changes discussed in the 12/17/07 meeting. **Director Johnson made a motion to approve the financial report for 12/31/07 and the amended 2008 budget. Upon second by Director Rutherford, the financial statements were approved by unanimous consent.**

Director Harris introduced George Holmes and John Murphy (members of the District's long-term financial advisory group) to present calculations on how much money the District could save by making one extra payment per year on the water revenue bond. The note has a 10-year fixed interest rate of 4.68 percent. Ignoring the final balloon payment, if the District makes one extra payment of \$10,760 (principal/interest) per year, it will save \$100,000 in interest over the 10-year period. As the 4.68 percent interest rate only pertains to the first 10 years, the lending institution can raise or lower the rate according to the market rate for municipal bonds at the time the District applies for refinancing. Director Harris asked the group to calculate how much the principal would be reduced with one extra payment over the 10-year period. Mr. Harris instructed the financial advisory group to draft a proposal to be presented to

various lending institutions and review at the regular Board meeting on February 18, 2008. Mr. Harris queried the possibility of extending on an annual basis the balloon payment date to lock in the 4.68 percent interest rate beyond 2016. The question was raised whether current members or future members should pay for the water system. Mr. Harris responded that the cost to operate and maintain the system will also escalate over time.

**Director Johnson made a motion to order a general election on May 10, 2008, for the purpose of electing two (2) directors to serve four-year terms on the District board, and to appoint Leonard Molone as the voting judge. Upon second (Rutherford), the board approved the election order and the appointment of Mr. Molone.** President Harris executed the election order.

Director Hartley gave an update on the meter reading process. A husband/wife team had been contracted to read the water meters once a month for \$0.65 per meter (\$30/hour). In November 2007, Mr. Hartley noticed some discrepancies and reread 15 meters (all 15 readings were wrong). In December, Mr. Hartley and Allison Rogers reread all the meters finding 50 percent of previous readings were wrong. A current District contractor (Gene Chamberlain) will begin reading the meters in January. Mr. Harris recommended reading meters on a quarterly basis but continue to bill monthly. Conversion to electronic reading equipment would be very expensive (\$150,000-\$200,000 for equipment and installation). The District's cost per new meter is \$31 and risers are \$50. However, it was pointed out that some meter installations can be very labor intensive with removal of tree roots, etc. Installation of the new electronically readable meters would necessitate a \$10/month charge for some period of time and such action is not advisable at this time.

Director Rutherford reported on repairs of the portable diesel pumps used by the District and the Club for emergency power. Mr. Rutherford is awaiting damage assessment, repair recommendations and required general maintenance for the diesel pumps. The matter was tabled until the next regular meeting on 2/18/08.

Director Rutherford discussed the repairs necessary to make the plant sprinkler system operational. Long's Irrigation bid \$1,600 to repair connection lines and install new sprinklers around the plant office plus additional \$2,725 to add sprinklers along LaSalle fence line (580 feet) and install new controller.

Mr. Rutherford also discussed the necessity for repairs and grading of roads at well site #1 and at the treatment plant. He is awaiting bids from Jimmy Russell for road repair work and black topping the hill at well site #1, changing drainage and installing three 6 inch pipes under roadway at MUD plant, and topping path to chlorine building at treatment plant. A special meeting will be called to discuss and approve bids and repairs.

Director Rutherford gave a field operations update. Mr. Rutherford has written a fire control test procedure and discussed the need for monthly fire drills with Larry

Hennes (new Emerald Bay security committee chairman). A letter will be addressed to the community explaining the reason for monthly fire drills. Mr. Harris briefed new residents on the golf course effluent distribution system via purple fire hydrants. Mr. Rutherford recommended instituting a new rule that requires the inspection and testing of backflow devices by a licensed inspector upon change of ownership of an existing home. The TCEQ requires backflow devices be installed by licensed installers.

Director Harris gave a plant operations update. Mr. Harris is wiring, installing, and programming the District's computer system including setting up a new webmail program (godaddy.com) and email address for each director. Mr. Harris is also working on the SCADA system so directors can access and monitor operations from a remote location.

Mr. Harris commented on the recent TCEQ inspection of the District's water system. Overall, the inspector was satisfied with the District's water system equipment and operation. Some items were not in compliance with the TCEQ requirements: (1) one part of the fence at well site #2 was not the correct distance from the well head and must be moved; (2) the screen in the top of the ground storage tank was corroded and must be replaced; (3) there were no water and sewer agreements (which much be executed by all residents/customers); and (4) the administrative files were not complete. Mr. Harris must also provide water samples from 20 homes within the District to test for lead contamination.

Director Harris corrected the metes and bounds description of the easement Cowan granted for ingress and egress from well site #1 to well site #3. The attorney can now proceed with condemnation of a 400-foot utility easement on the Fountain property.

Director Harris requested a town hall meeting be scheduled to update members on District operations, explain water and sewer agreements, and offer tours of the expanded plant office and water system well sites. (Note: A town hall meeting is scheduled for Sunday, March 30, at 6:00 p.m. in the Clubhouse).

There being no further business, the meeting was adjourned at 12:13 p.m. upon motion duly made (Hartley) and seconded (Johnson) with unanimous consent.

Respectfully submitted,

Deena M. Johnson  
Secretary

William F. Harris  
President

Attachments:  
Financial Summary for 12/31/07

Revised Budget as of 12/17/07  
Finance Group Loan Payment Schedule  
Order of Election for May 10, 2008  
Bids for Treatment Plant Irrigation Repairs  
January Project Punchlist