

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
APRIL 14, 2008

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, April 14, 2008, at 5:30 p.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. Seven Emerald Bay residents attended the meeting.

President Harris called the meeting to order at 5:30 p.m. and announced the order of the agenda would be altered to discuss and act on crucial matters before his departure at 6:30 p.m.

Director Hartley reviewed the proposed adjustments to the 2008-09 budget; i.e., insurance (due to restated insurable values) increased by \$1,200 (water-\$600, sewer-\$600); office and collection increased by \$1,800 (sewer-\$600, water-\$1,200); utilities (electricity) increased by \$3,090 (average cost increased from 45 cents to 50 cents per thousand gallons). Director Harris noted the District's electricity contract should be reviewed to determine its expiration date and include discussion of contract on the May 12 agenda. **Director Hartley made a motion to approve the proposed adjustments to the 2008-09 budget. Upon second (Rutherford), the motion was approved by unanimous consent.**

As the secretary of the District and elections officer, Director Johnson presented the Certification of Unopposed Candidates to officially elect William F. Harris to serve on the District board for a four-year term (expiring May 2012).

Secretary Johnson presented the Order of Cancellation to officially cancel the May 10, 2008, general election due to unopposed candidate certification. A copy of this Order will be posted at the Club (polling place) on election day, May 10, 2008.

Director Hartley discussed the initial adjustor's estimates of \$23,000 to repair hail damage to several District buildings and other facilities (lift stations). Hartley will get a roofer to inspect and estimate the damage to the pump house and #3 lift station. Harris will get an estimate of damage to the metal roofs at the wastewater treatment plant and well site #1. Rutherford to follow up on estimate from previous metal building repair inspection. Action on the filing of an insurance claim for hail damage to District buildings was tabled pending the results of these inspections.

Director Hartley advised the Texas Municipal League (TML) will insure municipal utility districts to cover sewage backup in residences up to \$50,000 per structure. The premium for coverage of \$25,000 is \$1.00 per tap with a \$1,000 deductible. The TML will reimburse the homeowner's deductible if the homeowner's

insurance provides coverage for such sewage backup damage. Director Hartley will get a premium quote from TML for policies with \$250 and \$500 deductible. This matter is tabled for further investigation.

Director Hartley stated the District provides Worker's Compensation and liability insurance for individual contractors or employees hired to perform a service for the District. However, the District cannot provide coverage for the employees of a company or corporation contracted by the District to provide a service (construction, maintenance or other operation). Director Johnson was directed to compose a policy to be incorporated into the District's Rules requiring any company or corporation contracting with the District must provide evidence of current Worker's Compensation and liability insurance in the minimum amount of \$1,000,000.

Director Hartley presented notification from the TCEQ requiring completion of a cancellation form and \$100 fee to cancel the sludge permit for land application (Permit #4509). Upon recommendation of Kirk Bynum, District engineer, the Board voted at its December 17, 2007, regular meeting to allow Permit #4509 to lapse and begin bagging sludge on a 12-month basis. Mr. Hartley will contact Mr. Bynum to determine whether all necessary paperwork regarding cancellation of Permit #4509 has been submitted to the TCEQ.

Director Rutherford reviewed the fire control system procedures to be followed in case of a fire emergency. Mr. Rutherford noted the Club wants to add an alarm warning system announcement at the pump house and at the golf course maintenance building. Director Harris wants a formal agreement between the District and the Club regarding the operation of the fire control system so the Club understands their liability. Director Rutherford presented the improvement proposal from BLOC in the amount of \$3,800 (labor and materials) to install 2 strobes at pump station and 1 strobe at golf maintenance building to indicate the system is operational. Mr. Harris will check other electrical outlets (online) for lower priced strobe lights. Mr. Rutherford will draft an agreement between the District and the Club for operation of the fire control system. The guards will be responsible for activating the fire system and verifying that the pumps are in standby mode. **Director Harris made a motion to approve funding the fire alarm system improvement in the amount of \$3,800 contingent upon execution of an equitable operating agreement between the District and the Emerald Bay Club. Said motion was seconded (Rutherford) and approved by unanimous consent.**

Treasurer Hartley opened the proposals from Capital One and Southside Bank for the refinancing of the water system revenue note. Director Johnson read both proposals into the Minutes. Capital One would extend the existing loan maturity to July 1, 2026 (120 months), lower interest rate to 4.18 percent fixed for the life of the loan, and legal fees approximately \$3,500. Southside Bank would allow redemption of the bonds on or after 10-year anniversary of the loan and lower interest rate to 4.58 percent fixed for the life of the loan. Southside's proposal also set out other fees (\$11,000 legal) and requirements to be met by the District. **Director Hartley made a motion to adopt the proposal by Capital One. Said motion was seconded by Director Johnson and**

approved by unanimous consent of the Board. Director Hartley will contact Capital One (Kenneth George) to formalize the refinancing documents for execution by the District.

At 6:36 p.m. President Harris was excused from the meeting and Director Hartley assumed the duties of presiding officer. Mr. Hartley asked for comments on the Minutes of March 10 (Regular) and March 30 (Town Hall) meetings. **Director Randolph made a motion to accept the Minutes as written. Upon second (Rutherford), the Minutes were approved by unanimous consent.**

Treasurer Hartley presented the financial summary as of March 31, 2008. The sewer system operations income exceeded expenses for net income of \$3,047 for the period. Sewer operations remain at or near budget. The water system operations net income year-to-date is \$42,076 (\$13,110 better than budget). The statement of cash flows shows a cash balance of \$413,577. **Director Hartley made a motion to approve the March 31 financial statements as presented. Upon second (Rutherford), said financials were approved by unanimous consent.**

Updates of the District's field and plant operations will be given at the May 12 regular meeting.

There being no further business, the meeting was adjourned at 6:43 p.m. upon motion duly made (Hartley) and seconded (Randolph) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:
Financial Summary for 3/31/08
Adjustments to 2008-09 Budget
Certification of Unopposed Candidate-Harris
Order of Cancellation for May Election
Refinancing proposals by Capital One/Southside Bank