

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

The Board of Directors of the Emerald Bay Municipal Utility District (District) met in regular session on July 14, 2008, at 5:33 p.m., at the Emerald Bay Club, Emerald Bay, Bullard, TX 75757. Directors William (Bill) Harris, Ray Hartley, Paul Misso, Paul Randolph and Howard Rutherford were present. Thirteen others were present for all or part of the meeting. These included Directors of both the Emerald Bay Club, Inc. (EBCI) and the Emerald Bay Homeowners Association (EBHA) as well as other members of the public.

President Harris called the meeting to order at 5:34 p.m. and asked for comments on the Minutes of the June 9, 2008 Regular Meeting. **Director Hartley made a motion to approve the Minutes. After second by Director Randolph the Minutes were approved by unanimous consent.**

Director Hartley reviewed the Financial Summary as of June 30, 2008, including checks written as of June 30, 2008 as well as the Statement of Cash Flows. **Director Hartley made a motion to approve the checks paid, and Director Randolph seconded the motion. The check summary and the financial reports were approved by unanimous consent.** Director Hartley reminded all present that the sewer system debt obligation would be retired in the year 2010. Director Harris recapitulated information made public at the June 9, 2008 regular meeting of the District Board concerning the details of the renegotiated terms of the Water Revenue Notes and thanked Mr. George Holmes and his committee for their work in securing terms of repayment more favorable to the District.

The rules promulgated by the Texas Residential Construction Commission (TRCC) to take effect September 1, 2008 regarding plumbing were generally described by Director Rutherford. Thereafter both he and President Harris gave a general overview of positions, rules of, and differences between, the Texas Commission on Environmental Quality and the TRCC regarding plumbing and all other residential construction and inspection requirements. Harris read aloud the correspondence dated June 30, 2008 from the District's attorney regarding the rights of a municipal utility district to enter land. There followed discussion primarily between Rutherford and Harris about the necessity and urgency to inspect properties within the District to ensure compliance with requirements for backflow prevention devices and vacuum breakers. Harris stated that the District is providing such devices and breakers at the District's cost to assist members who will have to do remediation on their private property. He mentioned that the response to the District's request that members sign both water and sanitary sewer

agreements has resulted in voluntary compliance by about eighty-five percent of the members.

President Harris asked the EBCI and EBHA directors present to consider having the District perform electrical inspections on new residences as this would present an economy of effort and ensure uniformity of compliance by builders. President Jim Stafford of the EBCI and the EBHA stated that he would bring the matter to the attention of the Architectural Committee.

President Harris recapitulated the history of the \$1.7 million system for supplying fire control water and the need for a system that would function in the event of a failure of normal power and so forth. At the urging of Director Rutherford, Harris also explained the origin of the gray-line system and its operation. Harris and the EBCI/EBHA directors had a congenial discussion regarding the vulnerabilities of the system and the need to cooperate to ensure the system is adequately tested and maintained. EBCI attorney Les Bonner observed that the proposed Fire Control System Agreement was generally adequate from a legal standpoint but needed some changes in wording. He proposed that he, the EBCI/EBHA board representatives, President Harris, and the District's attorneys resolve these issues in the coming week. There was general agreement to work to that end.

Director Hartley presented the insurance adjustor's findings of hail damage to District buildings and the settlement offer of approximately \$10,100 less the \$2,500 deductible for a net \$7,600. He observed that this was in line with the District's estimate of financial damages. Additionally, depreciation hold-back of approximately \$2,529 will be refunded by the insurer after the District submits proof of repairs. **Director Hartley made a motion to approve the adjustor's offer. After second by Director Randolph the motion was approved by unanimous consent.**

Director Hartley led a discussion of the proposed increase in charges for the 2008 audit of the District. Auditor Norman White performed the 2006 audit for approximately \$2,400 and the 2007 audit for approximately \$2,700. The inclusion of the new water system in the 2008 audit necessitates greater costs for audit. The new proposal is \$5,000. **Director Hartley made a motion to approve the auditor's new offer. After second by Director Rutherford the motion was approved by unanimous consent.**

Director Rutherford discussed the water drainage on golf course hole #5 near the lift station. EBCI Golf Course Committee Chairman Bob Breedlove commented to the effect that the resolution of the drainage problem was a part of a plan to do general renovations to the golf course, but implementation of the renovations is pending further consideration. He added that delays in deciding on renovations notwithstanding, the problem must be fixed. President Harris noted that the location of the lift station poses a special problem. There was general agreement that the problem is mutual and a

solution must be worked out soon. There was also discussion on progress to resolve a drainage issue on golf course hole #15 that may involve effluent water. President Harris and Rutherford observed that the answer to this question and possible solutions may involve other improvements currently under consideration.

Director Randolph suggested that the District consider reducing the water meter reading from a monthly basis to some other basis. There was general discussion about the merits of various options, but no conclusions were reached at the meeting.

President Harris reported that condemnation process was underway related to a thirty foot permanent utility easement on certain property owned by Joyce Cowan Fountain and A. Dean Fountain, 21334 County Road 178, Flint, Texas.

There being no further business, the meeting was adjourned at 7:06 p.m., upon motion duly made by Director Hartley, seconded by Director Rutherford, and approved by unanimous consent.

Respectfully Submitted,

Paul M. Misso
Secretary

William F. Harris
President

Attachments:
Financial Summary for June, 2008
Correspondence from Attorney Borgelt
Sworn Statement in Proof of Loss