

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
OCTOBER 18, 2010

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, October 18, 2010, at 5:30 p.m. in the Emerald Bay Club, 208 South Bay Drive, Bullard, TX 75757. Present were Directors Dwight Cole, Jaymie Foote, Bill Harris, Deena Johnson, and Paul Randolph. Three (3) Emerald Bay residents attended.

Director Harris called the meeting to order at 5:31 p.m. Director Harris asked for comments on the Minutes of the Regular meeting of September 20, 2010. **Director Randolph made a motion to approve said Minutes with a second (Cole); the Minutes were approved by a majority vote (Harris, Cole, Johnson and Randolph).** Director Foote abstained as she was absent from meeting due to illness.

Treasurer Cole reviewed the financial summary for September 30, 2010 (fiscal year end). Mr. Cole explained that the District accrues depreciation and applies at the end of the fiscal year. Under sewer system operations, the total income was \$27,073, depreciation was \$180,633 (in line with previous year), resulting in a net income loss of (\$98,966) for year to date. Director Harris noted the system was built in 1985 at a cost of \$2MM and inquired as to what is being depreciated for sewer system. Mr. Cole will review depreciation schedule and consult with auditor on this matter.

Under water system operations, the total income was \$36,953, depreciation was \$87,613 (in line with previous year), resulting in a net income loss for the month of (\$62,217). However, net income for year to date is \$255,473.

Under road and bridge operations, net income for the month is \$3,686 (derived from service charges) and the year to date net income is \$303,113. The auditor recommended the bridge renovation be treated as a leasehold improvement which is subject to depreciation.

The balance sheet shows cash of \$410,520 with outstanding customer accounts receivable of \$123,102 (\$83,000 attributable to water system billing). As to construction in progress, Mr. Cole explained that beginning balance was \$915,000 with \$83,000 attributable to the bridge. Construction in progress increased by \$101,000 in September to \$1,016,293. Lastly, Director Cole presented the September check detail for review. Director Harris has executed the renewal of the two bridge loans (\$150,000 and \$100,000) with Capital One Bank and the interest on these will be paid out of the golf course account. **Director Randolph made a motion to approve the September 30, 2010 financials as presented. Upon second (Foote), the financials were approved by unanimous consent.**

Director Cole reviewed Norman White's engagement letter for the 2010 audit of the District's financial statements. Mr. Cole confirmed the letter is in accordance with all matters discussed and the increased fee (\$7,500) is due to the additional work for road and bridge operations. **Director Cole made a motion to accept the engagement letter for performance of the 2010 audit. Upon second (Randolph), the motion was accepted by unanimous consent.** The engagement letter will be executed by President Harris and returned to Mr. White.

Treasurer Cole had several questions regarding parameters and assumptions to be considered in formulating the 2011 budget. **Question #1**—Power provider (electricity) rate for the new point of delivery for water well #3—ONCOR or Constellation? Mr. Harris explained that TXU would provide the electrical service for the first 30 days of operation. During that period, Mr. Harris will

ask for rate quotes (per KWH) from Constellation and other providers for the new point of delivery. He also noted that Constellation has a Blend & Extend Plan that averages commercial accounts. The 2011 power budget needs to be increased or adjusted once rate is determined after #3 well goes on line. Question #2—Will the kilowatt hours be much more than previous usage with two wells? Mr. Harris remarked the usage should be close to the same. Question #3—When will water well #3 be placed in service? Mr. Harris responded that nothing more will be done until the bond issue closes. March 2011 is target date to get well #3 on line. Question #4 –Any major distribution changes for water system in 2011? No. Question #5—Plan for automatic meter reading program in future? Mr. Harris noted automatic meters should be rotated in on a schedule as the batteries are only good for ten years. The estimated cost to change over entire District to the electronically readable meters is \$150,000. Question #6—Is increased chemical cost over last year due to change in quantity or price? For example, chlorine costs for sewer system was \$1,600 in 2009 and \$7,000 in 2010, while water system remained the same (\$2,249 in 2009 and \$2,229 in 2010). Mr. Harris recommended checking with operator (Bryan Johnson) on sewer usage chlorine and reviewing Lone Star invoices. Mr. Harris noted that two new chlorinators and two new scales were purchased for Well #2 and Well #3. Question #7—Any change in plant operations costs; i.e., \$24,000 in 2009 and \$34,000 in 2010? Michael Fyfee has completed all classes to pass “C” water license test. Ultimate goal to have two full-time operators for MUD. Question #8—Under road & bridge operations, is there a plan to work on North Bay Drive? Mr. Harris advised that core samples must be taken to determine the condition of the base and then review all options available. Also need to evaluate the impact of the pond created during heavy rains in Glen Ridge Park area on the road. Question #9—Should budgeting for income for Road & Bridge remain at \$20,000 for new members. Yes. Treasurer Cole will prepare a budget for 2011 and adjust as necessary during the year.

Under field/plant operations, President Harris reported the South Bay bridge renovation project is complete except for installation of signage. The final member assessment must be calculated based on the \$311,000 total cost. Mr. Harris stated the assessment must follow the Smith County Tax Appraisal District’s list of taxable properties. The sewer plant blower (Turbotron) has been repaired and has new bearings. As preventive maintenance new butterfly valves will be installed also (new blowers are \$15,000-\$16,000). The bagging machine pump (\$500) blew out blowing off all the bags and flooding the building. The sludge readings seem to be at the right point and will be monitored to determine if it is under control. The District’s flowmeter recorder was damaged during the October 11 storm and parts are no longer available. A new recorder is about \$8,000-\$10,000. However, the sewer plant will be added to the SCADA system (estimated cost \$25,000-\$30,000) and SCADA can do the same as a chart recorder. Lastly, the TCEQ will inspect the District’s water system on October 28.

There being no further business, the meeting was adjourned at 7:03 p.m. upon motion duly made (Randolph) and seconded (Foote) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:
Financial Summary for September 30, 2010
Norman L. White, CPA, Engagement Letter of 9/30/10