

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
FEBRUARY 20, 2012

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, February 20, 2012, at 5:30 p.m. at the Emerald Bay Club, 208 South Bay Drive, Bullard, TX 75757. Present were Directors Dwight Cole, Bill Harris, Deena Johnson, and Paul Randolph. Director Jaymie Foote was excused. Alicia Florence, District Administrative Assistant, and four (4) Emerald Bay residents also attended.

Director Harris called the meeting to order at 5:30 p.m. Director Harris asked for comments on the Minutes of the January 10, 2012 (Special) and January 16, 2012 (Regular) meetings. **Director Randolph made a motion to approve the aforementioned Minutes of January 10 and January 16 as written. Upon second (Cole), the Minutes were approved by unanimous consent.**

Treasurer Cole reviewed the financial summary for January 31, 2012. Under sewer system operations, Cole noted revenue is in line with last year (\$107,611 YTD 2012 compared to \$108,483 YTD 2011). Under expenses, Cole noted that utility expense (\$26,818) for last year-to-date does not reflect some credits that were posted to water revenue last year and recorded this year. The resulting net operating income for January is \$8,938 (\$34,403 YTD compared to \$30,972 YTD 2011). Interest expense is up as the District pays interest on the \$500,000 revenue bond for greens drainage project. Net income for January was \$7,423 (\$28,229 YTD). Director Harris noted there had not been a sewer rate increase in almost 8 years and the District may need to address this issue in the future.

Under water system operations, Cole pointed out the greens drainage water charge of \$5,000 YTD reflects the allocation correction from the original charge to the sewer system. Repairs & Maintenance expense was higher (\$15,941 YTD) than last YTD (\$6,668) due to plant repairs made during Christmas 2011. Cole explained that the higher sewer expense was due to repairs to correct a short in the wiring from the District office to the sewer lift station at the plant for which bills were received and recorded in January 2012. Net income for January was \$2,962 (\$37,931 YTD).

Under road and bridge operations, income and expenses are in line with last year. Net income for January was \$3,724 (\$20,078 YTD). Director Randolph asked about street repairs and Cole noted there was \$163,823 in the street fund.

The balance sheet shows total cash accounts of \$830,768 compared to \$518,885 in 2011 and customer accounts receivable are \$34,436 compared to \$66,674 in 2011. Cole pointed out the \$7,564 credit under Other Receivables was an insurance payment received for lightning damage to pump house. Construction in progress is now \$521,077 (compared to \$753,278 YTD 2011) with greens drainage project transferred to PP&E. Accounts payable down considerably with \$22,065 YTD 2012 compared to \$50,779 YTD 2011. Long term liabilities are higher due

to loans for the greens drainage and water system projects (\$1,328,166 YTD 2011 compared to \$1,993,893 YTD 2012).

A review of the January check detail showed the standard expenditures with the largest payments for monthly bond/interest payments and diesel fuel for the generator (\$1,900). **Director Randolph made a motion to approve the January financial summary as presented. Upon second (Johnson), the financials were approved by unanimous consent.**

Director Harris added that the auditor had completed a draft of the District's audit for the fiscal year ended September 30, 2011. Upon review, Director Cole advised the auditor there were some minor changes that needed to be made. The audit should be ready for review at the next District meeting.

Director Harris asked District Clerk, Alicia Florence, to report the number of delinquent accounts and/or disputed billings. For the month of January, the total outstanding past due accounts equaled \$1,773.86. Water service was disconnected on 2/1/12 to one past due account and two customers will be disconnected if accounts are not paid by 2/29/12. Twenty-five (25) past due notices were mailed to customers on 2/3/12 and to date nine (9) accounts remain unpaid totaling \$897.03.

President Harris asked Ms. Florence and Director Johnson to review the District's policies regarding requiring utility deposits from resident customers—especially residents who are delinquent repeatedly. Policies may need to be revised to address this issue. The District may have to require a deposit for each household (including homes other than primary residence) or discontinue water service.

Director Randolph gave an update on the research into providing a 401K retirement program for salaried District employees. With only one or two eligible employees, the District does not qualify for participation in a 401K program; therefore, the District can only offer a Simple IRA program. Randolph discussed the plan offered through Edward Jones (an investment firm) which is eligible for government entities. Through this plan, employees can contribute or defer up to \$11,500 of annual salary. Randolph noted the District can match a certain dollar amount or a certain percentage up to 3 percent of employee's annual salary. The Board must decide what amount and/or what percentage the District will match. Director Harris suggested Randolph also discuss this matter with David Terry to review a similar IRA program offered through Wells Fargo.

Director Randolph also suggested providing term life insurance for employees from TML (Texas Municipal League) at a rate of \$0.17 per \$1,000 coverage (i.e.; \$1.70 for \$10,000). Randolph suggested offering between \$20,000-\$50,000 insurance payable by the District. Harris suggested up to \$300,000 worth of term life insurance payable by District with option for additional insurance payable by employee. Harris asked Director Randolph to summarize the Simple IRA retirement plan and term life insurance programs to be presented to the Board for further consideration and action at the next meeting.

Director Harris gave an update on field and plant operations noting there were no plant or equipment failures during the month. A large water leak appeared on North Bay and is scheduled for repair. AAA Sanitation will begin cleaning out all the lift stations with all work scheduled nights after midnight.

Harris obtained a second opinion cost estimate for improvements to the distribution system including lake pipeline and irrigation well projects. As costs and methods are varied, Harris suggested getting bids from two engineering firms to prepare project designs so projects can be offered to contractors for bidding. The contractor bids will give realistic costs and economical methods to complete these projects. The District will present this data to the members with options/alternatives to finance the engineering firms' project designs.

There being no further business the meeting was adjourned at 6:10 p.m. upon motion duly made (Randolph) and seconded (Cole) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:
Financial Summary for January 31, 2012
Check Detail for January 2012
Delinquent Accounts
Edward Jones Simple IRA