

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF REGULAR MEETING
SEPTEMBER 16, 2013

The Board of Directors of the Emerald Bay Municipal Utility District met in regular session on Monday, September 16, 2013, at 5:30 p.m. at the District's Office, 155 LaSalle Drive, Bullard, TX 75757. Present were Directors Dwight Cole, Bill Harris, Deena Johnson, Paul Randolph, and Loretta Woodall. District Clerk, Dawn Smith, and three (3) residents were in attendance.

Director Harris called the meeting to order at 5:30 p.m. and asked for comments on the Minutes of the August 14, 2013 (Regular) and August 29, 2013 (Special) meetings. **Director Randolph made a motion to approve the Minutes of August 14 and August 29 as written. Upon second (Woodall), the Minutes were approved by unanimous consent.**

Treasurer Cole reviewed the financial summary for July 31, 2013. Under sewer system operations, total income for the month was \$30,199 (\$304,325 YTD 2013 compared to \$273,501 YTD 2012). July total expenses were \$20,528 (\$221,265 YTD 2013 compared to \$191,736 YTD 2012). Cole pointed out the Board approved a budget of \$150,000 for special projects which included the recent repairs to the north and south sewer plants reflected in the \$79,464 YTD Repairs & Maintenance figure. Net income was \$8,310 adjusted to \$4,642 after deducting principal payment of \$3,668 for greens drainage loan.

Under water system operations, total income for July was \$53,538 (\$354,731 YTD 2013 reflects the \$35 rate increase instigated in March 2013 compared to \$288,780 YTD 2012). The \$35 rate increase equates to approximately \$19,500 additional revenue per month. July total expenses were \$14,561 (\$130,318 YTD 2013 compared to \$134,664 YTD 2012). Net income was \$34,005 adjusted to \$25,282 after deducting principal payments of \$8,723 for water system loans.

Under road and bridge operations, July total income was \$12,574 (\$101,362 YTD 2013 compared to \$72,176 YTD 2012 with difference attributable to initiation fees totaling \$56,000 YTD 2013). Total expenses were \$102 (\$6,570 YTD 2013 compared to \$5,235 YTD 2012) and net income is \$12,536 (\$95,363 YTD 2013 compared to \$67,297 YTD 2012.)

The balance sheet shows total assets for July at \$4,845,534 with total cash accounts of \$1,244,826 (includes \$250,000 loan for 2013 water distribution project) compared to \$894,141 in July 2012. Property, Plant & Equipment is \$3,373,353 compared to \$3,164,044 in 2012 and Construction in Progress was reduced from \$536,255 to \$145,130 with transfer of water well #3 to PP&E. Long-term Liabilities decreased from \$1,924,467 to \$1,691,582 due to payment of principal on three long-term notes. **Director Randolph made a motion to approve the July 2013 financials. Upon second (Johnson), the July financials were approved by unanimous consent.**

Treasurer Cole reviewed the financial summary for August 31, 2013. Under sewer system operations, total income for the month was \$30,134 (\$334,459 YTD 2013 compared to \$303,421 YTD 2012). August total expenses were \$22,948 with \$13,302 for two electricity billings (\$244,211 YTD 2013 compared to \$215,034 YTD 2012). Net income was \$5,840 adjusted to \$2,159 after deducting principal payment of \$3,681 for greens drainage loan.

Under water system operations, total income for August was \$55,756 (\$410,487 YTD 2013 compared to \$330,893 YTD 2012). Cole noted the addition of \$1,516 YTD in penalties and late fees. August total expenses were \$17,347 (\$147,665 YTD 2013 compared to \$150,202 YTD 2012). Net income was \$33,458 adjusted to \$24,705 after deducting principal payments of \$8,754 for water system loans.

Under road and bridge operations, August total income was \$4,038 (\$105,400 YTD 2013 compared to \$85,978 YTD 2012). Total expenses were \$106 (\$6,676 YTD 2013 compared to \$6,637 YTD 2012) and net income is \$3,999 (\$99,362 YTD 2013 compared to \$79,743 YTD 2012.)

The balance sheet shows total assets for August at \$4,887,099 with total cash accounts of \$1,279,738 (includes \$250,000 loan for 2013 water distribution project) compared to \$895,599 in August 2012. Property, Plant & Equipment is \$3,373,353 compared to \$3,166,353 in 2012 and Construction in Progress was reduced from \$540,911 to \$155,892 which represents expenditures for 2013 water distribution project. Long-term Liabilities decreased from \$1,911,348 to \$1,679,148 due to payment of principal on three long-term notes. **Director Randolph made a motion to approve the August 2013 financials. Upon second (Cole), the August financials were approved by unanimous consent.**

District Clerk, Dawn Smith, advised that 17 past due letters were mailed on September 5 totaling \$2,773.99 and ten (10) accounts remain unpaid totaling \$1,400.80. Any accounts not paid in full by September 25 will be disconnected. As a courtesy, Director Woodall will contact any customers with past due accounts prior to disconnection of service. Clerk Smith noted that the Lyles residence at 245 North Bay is in foreclosure, and she has contacted Financial Freedom to advise that service will be disconnected if payment is not received by September 25.

Director Harris presented the Oil, Gas and Mineral Lease offered by Saline Creek for property around the District's water well #2. If we do not sign the agreement, the oil company can still drill around us and any royalty payments would go into an escrow pool. Mr. Harris obtained legal opinions from the District's general counsel and an oil and gas attorney, James Roberson, regarding certain provisions in the lease agreement. Mr. Roberson made two changes to the lease agreement and stated this was the best deal we could get. Saline Creek agreed to delete paragraph #18 on nondisclosure or gag order and the last part of paragraph #19 whereby Lessee (Saline Creek) cannot use the surface of property without written permission of the District. Mr. Harris requested

“most favored nation status” but Saline Creek would not grant it. Mr. Harris voiced his concerns over the aspects of drilling oil wells and fracturing near the District’s water wells, especially since the water level is down in the Carrizo due to the continuing drought conditions. However, Director Harris recommended signing the lease with the abovementioned changes. **Director Johnson presented Resolution No. 9162013A to approve the three year lease dated September 16, 2013, and authorize President Harris to execute all documents in connection therewith. Upon motion duly made (Johnson) and seconded (Randolph), the Resolution was approved by unanimous consent.**

Director Harris gave an update on operations noting:

- 1) Negotiating renewal of the electricity contract for the District, Emerald Bay Church, and Emerald Bay Club. Champion Energy has offered a rate that is 2 cents per KWH less than the present Constellation price. Mr. Harris will obtain final offers from both companies. **Director Johnson made a motion authorizing President Harris to sign the most competitive offer contract. Upon second (Woodall), the motion was approved by unanimous consent.**
- 2) President Harris will meet with Kirk Bynum of Brannon Corporation to discuss completion of the design drawings for the 2013 water distribution project to be submitted to the TCEQ.
- 3) Advised particulars of water leak situation over Labor Day weekend that necessitated shutting off water to community and importance of taking bacteriological samples in bottles whose origin can be traced to ensure no contamination of samples. District employees fixed the leak and restored water service to the community within about four hours.
- 4) BLOC must redo some of the work performed on the SCADA system before payment of invoices. BLOC is a reseller of the SCADA system, which is manufactured by DFS, a Florida company. DFS is planning to open a tech office in Texas (possibly Waco or Austin). Harris has purchased a software package so that a BLOC employee can log in remotely from a laptop to access the District’s SCADA system to monitor, troubleshoot and repair.
- 5) The District is interviewing CPA firms in Tyler to find a new auditor with experience auditing governmental entities. The District’s fiscal year ends September 30, 2013.

There being no further action or business to be discussed, the meeting was adjourned at 6:15 p.m. upon motion duly made (Randolph) and seconded (Woodall).

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:

Financial Summary for July 31, 2013
Financial Summary for August 31, 2013
Past Due Accounts Report for 9/16/13
Resolution No. 9162013A

THE STATE OF TEXAS §

COUNTY OF SMITH §

BEFORE ME, the undersigned authority, on this day personally appeared William F. Harris and Deena M. Johnson, President and Secretary, respectively, of the Emerald Bay Municipal Utility District; known to me to be the persons whose names are subscribed to the foregoing.

SUBSCRIBED TO AND SWORN TO before me, under my official hand and seal of office this ____ day of _____, 2013.

Notary Public in and for the State of Texas