

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF TOWN HALL MEETING
MARCH 30, 2008

The Board of Directors of the Emerald Bay Municipal Utility District hosted a town hall meeting on Sunday, March 30, 2008, at 4:30 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. Guest speakers were Glen Patrick (District Legal Counsel), Orville Bevel (President of the Greater Lake Palestine Council), David Terry, and George Holmes. There were 63 members in attendance.

President Harris addressed the audience regarding the purpose of the meeting and introduced the District's legal counsel, Glen Patrick, to discuss the state regulations for a municipal utility district and its board. Mr. Patrick explained the District is governed by a board of directors consisting of only five (5) members. The District is subject to the Open Meetings Act and all meetings of the Board must be open to the members. An agenda stating the date, time and place of the meeting must be posted at least 72 hours before the meeting. State law only allows the Board to meet in a closed, executive session for consideration of legal action with legal counsel, economic development issues, employment issues, and real estate transactions. The Open Records Act states that the District's records are open for review by members. The District is also subject to TCEQ (Texas Commission on Environmental Quality) regulations.

David Terry, representing the Finance Advisory Team, offered an overview of the long-term financing for the construction of the District's water system. The team has evaluated the long-term indebtedness along with the repayment options that might be available to the District. The team explored the option of issuing bonds to the general public, but the interest and fees would be more than dealing with the banks directly. Both Capital One and Southside Bank have offered a revised loan with no balloon clause and lower interest than the present 4.68 percent. There is no prepayment penalty on the present note. Mr. Harris noted the note covering the golf course sprinkler system is funded through the collection of ad valorem taxes and will be paid off in two more payments or 2/15/2010. At that time the MUD tax assessment by Smith County will cease. The revenue bond covering the construction of the water system has been paid down to \$1,580,000 at \$10,760/month.

Orville Bevel, president of the Greater Lake Palestine Council, addressed the Monarch water and sewer rates dispute. An alliance organized under the name Texans Against Monarch's Excessive Rates (T.A.M.E.R.) consists of 44 subdivisions representing 23,000 water customers and 5,000 sewer customers. Monarch (a division of Southwest Water Company based in Los Angeles, California) increased its rates as follows:

Monarch water rate as of August 1, 2007

a.	Base rate (no gallons)	\$31.45/month
b.	Rate per 1,000 gallons	\$ 3.80/1,000

Monarch water rate as of September 4, 2007

a.	Base rate (no gallons)	\$44.37/month
b.	Rate per 1,000 gallons up to 20,000 gallons	\$ 5.27/1,000
c.	Rate per 1,000 gallons over 20,000 gallons	\$ 5.80/1,000

Monarch sewer rates:

a.	as of August 2007	\$37.50/month
b.	as of September 2007	\$49.59/month
c.	as of September 2008	\$61.69/month
d.	as of September 2009	\$73.78/month

Mr. Bevel also addressed the rate dispute with Aqua Texas (a division of Aqua America based in Pittsburgh, Pennsylvania) that began in July, 2004. This is an IOU (investor owned utility) and the law allows such companies to recoup their legal fees expended during rate disputes from the ratepayers.

Bill Harris, District president, gave an update of the District's operations. The new water production system has been on-line since August 2006 with no major problems. The distribution system, on the other hand, has some problems that will be corrected over time—incorrectly installed water taps, thin wall PVC pipe, 3 inch lines from Fairway to Key Allegro, etc. Mr. Harris proposes using booster pumps to step up the water pressure from Fairway to Key Allegro.

Mr. Harris commented on wastewater treatment for the Club and other commercial class properties. The Club has always paid the same rate for sewer service as residential customers. The Club's facilities (including golf course restrooms) uses approximately 150,000 gallons of water monthly and wastewater treatment is now based on water usage. The District recently established a commercial base rate of \$50.25/month for commercial properties. The residential rate was lowered to \$35/month.

Mr. Harris explained the new non-standard rules for expansion outside the District. Mr. Harris used visual exhibits (slides) to show the CCN (Certificate of Convenience and Necessity) boundaries of the District (both sewer and water). He noted the District is required to provide utility service to anyone requesting service if the property to be served is within one-quarter mile of the District plant. The new rules provide protection to the District members by requiring the developers to bear the costs of construction of utility infrastructure as a condition for service. For example, the property (317 acres) directly across from the Emerald Bay entrance on CR 344 could request sewer service for any residential or commercial development.

At this point, Mr. Harris showed water and sewer rates, tap fees, and deposits charged by other communities and compared to the District's water and sewer rates and fees.

During the recent TCEQ inspection of the District's water system, several violations were cited with compliance due dates. (1) Failure to have all backflow prevention assemblies tested by backflow prevention assembly tester—Rutherford has developed a BFPD inspection process and contacted an inspector. (2) Failure to adopt adequate plumbing ordinances—Randolph has developed a plumbing inspection process and contacted an inspector. (3) Failure to provide copies of customer water and sewer service agreements—Water and sewer service agreements have been adopted and will be mailed to customers the week of 3/31/08. The TCEQ has also advised the District it must provide water samples from 20 different locations twice a year (every six months) to be tested for lead contamination.

George Holmes, chairman of advisory team, advised District will conduct tours of its plant/office facilities and well sites on Sunday, April 6, at 2:00 p.m. Anyone interested in taking the tour should sign up in the Club office. Vans will pick up members at the Club and shuttle them between the plant and well sites. Tours should last about one hour.

Upon conclusion of a question and answer period, and the meeting was adjourned at 6:15 p.m.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:
Water/Sewer Rate Comparisons
Water/Sewer Service Agreements