

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**FINAL AND APPROVED**  
**MINUTES OF SPECIAL MEETING**  
**AUGUST 8, 2007**

The Board of Directors of the Emerald Bay Municipal Utility District met in special session on Wednesday, August 8, 2007, at 3:30 p.m., at the Emerald Bay Club conference room, Emerald Bay, Bullard, TX 75757. Present were Directors Bill Harris, Ray Hartley, and Deena Johnson. Directors Paul Randolph and Howard Rutherford were excused. John Boorman (President--Club/HOA Board), Les Bonner (legal/membership committee chair) and Bill Gray (architecture/streets/mowing chair), Kirk Bynum (District's engineer), Glen Patrick (District's legal counsel), George Holmes and David Terry (District's finance committee), and one Emerald Bay resident attended the meeting.

President Harris called the meeting to order at 3:40 p.m. to discuss and act on issues requiring joint participation and authorization by the District and the Emerald Bay Club/HOA board.

The District adopted non-standard rules and regulations to cover both commercial and residential developments that would impact its water and/or wastewater facilities. Gary Root (builder/developer) has applied for wastewater treatment service only for the commercial development on CR 344. Mr. Root's engineer, Brian Capps, presented a drawing of the proposed private lift station, forced main line, and two-way cleanout for evaluation by the District's engineer, Kirk Bynum. Mr. Bynum approved the design as submitted. The Board formally accepted the designs and granted permission for construction of same upon motion duly made (Johnson) and seconded (Hartley).

Mr. Harris addressed the options available to the District regarding the refinancing of its present balloon note covering the construction of the freshwater distribution system. The District's legal counsel (Austin law firm Potts & Reilly) estimates the legal fees to pursue this matter between \$2,500-\$7,500. The District might be able to obtain a 4.95 percent interest rate through the Texas Water Development Board. The TWDB will waive its standard policy requirement that fifty percent (50%) of the loan amount must be for new expenditures or project. The TWDB has no origination fees. Mr. Hartley asked whether there were any additional refinancing fees; such as a one percent (1%) bond counsel fee, finance counsel fee, and/or a legal counsel fee.

Kirk Bynum suggested the District contact another financial advisor, Mike Byrd of First Southwest Financials. Ray Hartley will also check with our present lender regarding refinancing options for our existing note. Our present loan interest rate is 4.68 percent. Bill Harris asked (1) what will it cost to borrow money from TWDB; and (2) what will it cost the District to refinance through the bank. George Holmes and other committee members will continue to research refinancing options through the TWDB and

the District's current lender to gather more definitive information before making another presentation to the District Board.

President Harris distributed several documents for review and discussion by the Club/HOA members present. Mr. Harris noted some of the plumbing issues and violations existing within the District. Harris advised there are four (4) residences within the District using septic systems (265 North Bay, 112 South Bay, 106 Williamsburg and 108 Williamsburg). In accordance with the District's Rules and Regulations, Section 2.12 requires these four properties must connect to the District's wastewater system upon change of ownership. TCEQ, Chapter 285.36 requires proper abandonment of on-site sewage facilities (septic tanks). Mr. Bynum advised the District should issue a notice to the security personnel (Mathis) to deny entry to any septic system contractor for work other than routine cleanout of a septic system. If an existing septic system requires repair, the property owner must abandon the system and connect to the District's sewer system.

The Texas Commission on Environmental Quality (TCEQ) mandates the District adopt plumbing code ordinances and cross-connection prevention controls. Kirk Bynum recommended the District adopt the international plumbing codes without its appendices. Mr. Bynum will compile a list of plumbing code inspectors available on a part-time basis to inspect new construction and/or remodeling projects within Emerald Bay. Dale Huffman (District operator) of Wilkins Contracting is licensed to inspect cross-connection controls for possible contamination of the freshwater distribution system. The TCEQ does not require annual inspection of backflow prevention devices on irrigation systems unless the system is used to disperse pesticides, etc.

Director Randolph is responsible for setting up the procedures for plumbing inspections to ensure builders/contractors comply with the District's adopted plumbing codes. This new process should be operational by year-end (12/31/07). Director Hartley suggested the District (MUD) should be the entity issuing/approving building permits. **A motion was made (Hartley) and seconded (Johnson) to approve the District's adoption of the international plumbing codes without its appendices.** Mr. Patrick (legal counsel) recommended the District directors review the international plumbing codes before adopting them. **The motion was amended to read: Approval of the international plumbing codes is contingent upon review/approval by Kirk Bynum with adaptations to coincide with the District's provisions.**

Director Harris stated the TCEQ requires that water and/or sewer agreements must be signed by all District customers. For example, twenty-seven (27) residents of Windcliff Harbor have contracted with the District for wastewater treatment (sewer) service. Bill Harris (District president) and John Boorman (Club/HOA Board president) will issue a joint letter addressed to all members of Emerald Bay explaining the reason they must execute both water and sewer agreements to be retained in the District's files.

Glen Patrick (legal counsel) also explained the District must have a written general purpose easement with each property owner to give the District the right to do

whatever is necessary to maintain, improve and/or expand the District's utility lines. The general purpose easements will establish the District's legal right to work on its water and sewer lines within the easements. Mr. Patrick will draft a basic easement form to be signed by all District members and filed in the Smith County records. All prospective buyers should also be given notice of the existence of public utility easements.

In conjunction with issues relating to easements, Mr. Harris stated the District will file a copy of its present sewer system map with the county. A map of the water distribution system (including clean-outs and isolation valves) is being created using GPS coordinates and will be filed in the Smith County records.

Director Hartley noted the District is NOT notified when a new resident is interviewed and approved for membership. Director Harris stressed the importance of a change of status form to be originated by the membership committee chair (Les Bonner) to notify the MUD of new members and member/member ownership transfers. Mr. Harris also stressed the importance of a standardized building permit form requiring approval by both the Club/HOA and the MUD. New and/or remodeling construction projects would be prohibited until such permit was issued to the builder/contractor. It is recommended that the building permits be posted at the job site and all required inspections (plumbing, electrical, water/sewer tap connections, etc.) be noted on the standardized form. Construction would be suspended (red tagged) until required inspections are performed by licensed inspectors.

Mr. Harris distributed copies of the proposed new construction submitted by builder/developer, Larry Cawthon, for LaSalle Drive. Mr. Cawthon's proposal shows six (6) new homes to face LaSalle. These lots had been platted for two residences on each lot in a quadriplex design (four homes facing each other). Kirk Bynum (District engineer) has reviewed Cawthon's drawing. Mr. Bynum noted the following requirements prior to any construction: (1) lots would have to be replatted for the new design (individual lots under 10 acres must be platted through the County Commissioners Court); (2) the minimum width per lot is 50 feet for Smith County; (3) the access drive straddles lot line necessitating a joint access agreement with property owners; and (4) all replatting and/or design changes would require approval of residents in that unit. Under the District's non-standard rules and regulations, Cawthon's development is considered an interior subdivision requiring an engineering feasibility study. The feasibility study will determine the development's impact on the District's water and sewer facilities. Director Johnson read Chapter 7, Sec. 7.14 stating no variances to non-standard rules.

Bill Gray (Club/HOA architectural committee chair) plans to set up meetings between the builder, property owner, MUD representative, and architectural committee to review all future construction proposals prior to issuance/approval of a building permit. Builders will be advised of adoption of plumbing codes and building inspection process. Mr. Gray will notify Larry Cawthon of county replatting regulations, lot width minimum, and other subdivision rules discussed herein.

Upon motion duly made (Johnson) and seconded (Hartley), the meeting was adjourned at 5:30 p.m.

Respectfully submitted,

Deena M. Johnson  
Secretary

William F. Harris  
President