

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
January 28, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, January 28, 2015, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Wayne Scott, President
Don Cox, Vice President
Robert Archer, Secretary
Dale Glazner, Assistant Secretary
Jim Hembree, Director

and the following absent:

None.

Also present were Karla Efigenio, Delia Yanez, Andrea Martin, Jeremy Cochran, Stacey Hanna, Eileen Fashoro, Delilah Arolfo, Lori G. Aylett, and persons on the attached list.

The President called the meeting to order and declared it open for such business as might properly come before it.

1. Minutes of the meetings of December 15 and December 17, 2014 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The Board reviewed customer inquiries regarding utility or other District services. The Board President reminded those present that this agenda item provides an opportunity for citizens to comment on non-agenda items before the Board. Comments are to be limited to five (5) minutes per person unless extended by the Chair. The President then yielded the floor to residents for inquiries.

Yvette Reynolds addressed the Board and stated that she was a business owner in the shopping center owned by Mr. Sanchez, and he had recently sent a notice to his tenants indicating that he is going to increase the cost of their services because of increases imposed by the District. Stacey Hanna addressed the Board and stated that she was interested in issues relating to maintenance, upkeep and patrol of the parks. Kay Otis stated that she was with Fairway Port Condominiums and had also received notice of the increased water bill. Kim Davila stated that she was a local realtor who was interested in the District's activities. Renee Anselmo stated that she was a tenant in the commercial development concerned about the rates. Those present expressed general questions about the reason for the rate increase and noted that they already pay significant taxes. They also asked what right the District had to make decisions about the rates.

Director Scott responded to residents' concerns and noted that the District's water and sewer systems were over 30 years old and were costly to maintain. In addition, the District completed construction of parks and trails, which are also costly to maintain. According to the District's accountant and financial advisor, it is appropriate for the District to maintain a 50% balance in its general fund, in case of emergencies or significant unforeseen repairs. The Customer Price Index has increased by 36% since the year 2000, and the District has absorbed as many of these costs as it could. The District takes competitive bids for services. The District also sells water credits for revenues. The District has fixed amounts of water that it must purchase from the San Jacinto River Authority, and chemical costs have risen over the years. Director Scott assured those present that the District and its Board attempts to provide economical services to the community.

Delilah Arolfo explained the per unit charged assessed against master meters, including those in the apartments and businesses served by the master meter. The attorney provided those present with information regarding the District's legal authority to charge rates to its customers.

Kay Otis addressed the Board on behalf of the Fairway Port Condominium Association and noted that the rate increase would be difficult for the association to absorb. She discussed the possibility of utilizing individual meters, but that is a costly alternative from their perspective. Director Hembree discussed water conservation and budgeting with Ms. Otis and offered to meet with her on a one-on-one basis to help her understand the District's rates.

Stacey Hanna addressed the Board about the issue of the locked bathrooms in the parks. She noted that she liked to ride her bike on the trails, and not having access to the bathrooms makes enjoyment of the park much more difficult. Director Scott noted that the bathrooms were locked during the Christmas holidays because of ongoing issues with vandalism. The bathrooms have since been unlocked, and the District is investigating the possibility of using higher quality surveillance cameras on the exteriors of the bathrooms. Ms. Hanna asked if the Board was willing to consider participating with residents in a crime watch program. The Board also noted that they could consider offering rewards for citizens who turn in suspected vandals. The Board is continuing to work on determining peak incident times. Ms. Hanna offered to assist with crime watch, and Director Scott invited her to attend the next Monday operations meeting, where parks are discussed in more detail. The Board President asked the attorney to place an item on the Monday agenda to discuss crime watch activities.

3. Karla Efigenio presented a bookkeeper's report, a copy of which is attached. The Board reviewed the report in some detail. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of checks listed thereon.

4. Delia Yanez presented a tax assessor/collector's report, a copy of which is attached. The 2013 taxes were 99.01% collected, while 2014 taxes were 62.53% collected. Nine checks and two wire transfers were presented for the Board's review and approval. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented and authorized payment of bills listed on the report.

5. The Board considered tax exemptions for the year 2015. There was presented the attached Order Adopting Residence Homestead Exemption for Persons Sixty-Five or Older or Disabled. The tax assessor/collector reported that 78 residence homesteads qualify for a disabled exemption and 465 residence homesteads qualify for the over sixty-five exemption. The attorney noted that in previous years, the Board had authorized an exemption of \$20,000 of the market value of each residence homestead within the District of individuals who are disabled or 65 years of age or older. Upon adoption of this Order, the same exemption could be provided for the 2015 tax year. Upon unanimous vote, the Board adopted the Order as presented.

6. There was presented the attached Order Engaging Delinquent Tax Attorney and Levying Additional Penalty for Delinquent Taxes. Pursuant to the order, the District would engage Smith, Murdaugh, Little & Bonham, L.L.P. as delinquent tax attorney to represent the District in the collection of delinquent taxes and would agree to pay the delinquent tax attorney 20% of the amounts collected. Pursuant to the order, the District would levy a 20% penalty for all tangible personal property taxes remaining delinquent on April 1 and on all other taxes remaining delinquent on July 1, 2015. Upon unanimous vote, the Board adopted the order as presented.

7. Andrea Martin presented a billing and collections report. Total current payments were \$219,198.61, while total current billing was \$203,279.53. 30-day arrears stood at \$52,277.82, but the arrears stand as of today's meeting at \$11,722.83. There were 36 new connections in the District, of which 30 were owners and six were renters. Of those new connections, seven were new homes, and 29 were pre-existing homes. 20 accounts were finalized, and there were 72 vacancies.

Ms. Martin then reported on the stand-by receivables, which totaled \$253,526.20. The District received stand-by fee payments in 2014 totaling \$3,737.39.

Ms. Martin then presented a report on behalf of Aggressive Waste regarding the status of garbage collections. One yellow tag was hung for non-compliant household trash, and five yellow tags were hung for non-compliant heavy trash.

Upon unanimous vote, the Board approved the billing and collections report as presented.

8. Andrea Martin presented a proposed list of write-offs for 2014 totaling \$10,906.44. These customers have left the District and their whereabouts are unknown. Upon unanimous vote, the Board approved the write-off list as presented.

Finally, the operator reported that Sheron Phillips had requested authorization to pay a large water bill in four installments plus the current bill. The Board approved the installment payment as presented by the operator.

9. Eileen Fashoro noted that she had nothing to report with regard to the status of Rampart's development. No other development representatives were present.

10. The Board reviewed the report from the operations and engineering meeting and related matters. The engineer reviewed a proposed change order from LJA for Villas at Newport work, and the engineer concurs with the change order, which relocates the location of the dumpster at their development. The engineer provided the Board with a "wish list" for District items to include in upcoming bond issues. Finally, the operator noted that EFS invoiced the District for some work that should have been covered under warranty, and the operator will work with the contractor to assure that this matter is resolved. Upon unanimous vote, the Board approved the operations and engineering report as presented.

11. The Board reviewed one proposed ground water reduction credit contract with Equine Performance Medicine, which requested the purchase of 400,000 gallons of water credits for the permit years ending 2016 through 2020, inclusive. Upon unanimous vote, the Board approved the ground water reduction contract as presented.

12. Lori Aylett presented an attorney's report. During the previous month, she finalized ground water reduction contracts that were previously authorized by the Board. The New Orleans Cold Storage ground water contract had been previously approved, but the owner had failed to execute the contract in the presence of a notary. They became concerned about the agreement, but the attorney assisted them by contacting the Subsidence District, and New Orleans Cold Storage was grateful for the District's assistance. The attorney presented a calendar of events and meeting schedule for 2015.

There being no further business to come before the Board, the meeting was adjourned.


Secretary