

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
February 25, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, February 25, 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 Delia Yanez, Shirley McLennan, Delilah Arolfo, Ethan Springer, Andrea Martin, Jeremy Cochran, Stacey Hanna, David Kasper, Eileen Fashoro, and Lori G. Aylett, attorney for the District.

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 January 26 and January 28, 2015 were presented for the Board's review and approval. The Board suggested a correction to the January 28, 2015 minutes. Upon unanimous vote, the Board approved the January 26, 2015 minutes as presented and the January 28, 2015 minutes as corrected.

2. The Board considered customer service inquiries regarding utility or other District services. The Board President reminded those present that comments are limited to five (5) minutes per person unless extended by the Chair and all discussion will proceed in an orderly fashion.

First, Stacey Hanna indicated that she was at the Board meeting to discuss safety and security in the District's parks and recreational facilities. A representative of Spring Hill Village Apartments presented the Board with correspondence from their management's perspective. She stated that her concern was about the residents in her apartment community. The residents are participants in a federal housing program (not Section 8 or housing vouchers) that offers a discount on the rent, and eligibility is based upon gross income. February's invoice was about \$1,117 more than the average bill last year. If the additional expense is annualized, the cost would be \$13,404. The apartment management may only increase rent to their residents by a set percentage, and management may have to absorb an \$11,000 increase each year. Spring Hill Village management requested that the Board review the rate increase and do anything possible to assist the apartments. Director Scott noted that the District does try to adhere to a

budget and cut costs whenever possible. He further noted that the District's directors always try to be good stewards of the District's money. The Board discussed whether the customer would benefit from having separate irrigation taps, but because their usage rarely exceeds the minimum, there would not be much benefit. The Board thanked those present for their comments and noted that they would take all comments under advisement.

3. Shirley McLennan presented a bookkeeper's report, a copy of which is attached. She noted that Karla Efigenio had accepted another position, and Ms. McLennan is personally training Ms. Efigenio's replacement. The District has a six and one-half month reserve in the general fund. Ms. McLennan discussed the report in some detail with the directors. Director Scott asked about the electricity usage at Water Plant No. 1. The operator confirmed that preventive maintenance was performed at the plant during the month and so the usage numbers were correct.

The attorney presented a brief memorandum on whether the directors can use facsimile signatures. The bookkeeper had contacted the District's depository bank and obtained their form of a proposed order allowing the use of such facsimile signatures. The attorney noted that she had some qualms about the form of the order, as it attempts to indemnify the bank against any and all use of facsimile signatures. The Board noted that they would take the matter under advisement. 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. As of the month's end, 2014 taxes were 85.96% collected. As of today's date they are now 99% collected. All prior years are also over 99% collected. 12 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. There was presented the attached Resolution Authorizing Petition Challenging Appraisal Records. The attorney noted that the preliminary tax roll comes out in May, and the tax assessor has a limited amount of time to challenge any errors or omissions that he sees on the preliminary roll. The tax assessor should be authorized to make such challenges on the District's behalf. Upon unanimous vote, the Board approved the Resolution as presented.

6. Andrea Martin presented a billing and collections report. Total current payments were \$231,666.41, while total current billing was \$241,592.68. 30-day arrears stood at \$42,977.18, but as of today's meeting the arrears stand at \$11,423.13. There were 29 new connections in the District, of which 23 were owners and six were renters. Of those new connections, three were new homes, and 26 were pre-existing homes. 12 accounts were finalized, and there were 67 vacancies.

Ms. Martin then presented a statistical analysis of water consumption by residents. 834 accounts used 4,000 gallons or less, 1,693 accounts used 4,000 to 10,000 gallons, 383 accounts used 10,000 to 20,000 gallons, 30 accounts used 20,000 to 30,000 gallons, and 13 accounts used 30,000 to 40,000 gallons.

Ms. Martin then presented a report on behalf of Aggressive Waste regarding the status of garbage collections. Two yellow tags were issued for non-compliant household trash, and 10 yellow tags were issued for non-compliant heavy trash. The Board briefly discussed the heavy trash limitations that were established by Aggressive Waste in their contract.

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

7. Eileen Fashoro presented a developer's report on behalf of Rampart. Rampart has entered into a contract to sell 15 acres next to the church site in the District for development as single family homes. The proposed buyer is Rochester Enterprise, and they are also looking at an adjacent five acres that is owned by a third party. In addition, Rampart is negotiating a contract for sale of 9.9 acres at the corner of Golf Club and County Club, which may be developed into one-half acre lots. If that tract goes under contract, Rampart will identify the name of the purchaser.

Rampart is working with Lennar on the sale of Section 8 lots. They have applied to the City of Houston to replat the subdivision to 190 lots. Finally, Ms. Fashoro noted that Rampart is talking to the oil company about a new pipe gate to be located at the entrance on South Diamondhead to the sewage treatment plant site. She asked the Board to notify her if the Board wanted to restrict access to the road in any way. The District operator noted that they already had a pipe gate to restrict access at the turnoff to the sewage treatment plant.

Ethan Springer reported on activities on the Villas tract. Utility construction is almost complete, and home construction will begin in March.

The attorney noted that Nino Corbett phoned her to say that he was still working on plans for development.

8. The Board reviewed the report from the operations and engineering meeting and related matters. The engineer noted that he had received a request from MUD 50 on available sewage treatment plant capacity and had responded on behalf of the Board that none was available.

The operator noted that they tried to seed some wildflowers on the park sites and the trails, but people are pulling the flowers out of the ground as soon as they germinate. Jeremy Cochran and Director Hembree discussed budget items that could be taken from the District's capital projects fund to clear out the account. The operator is also working with bookkeeper to make sure that all expenses are coded to the correct years. Director Hembree noted that the larger meters should be calibrated on an annual basis when the District's well meter is calibrated.

The operator noted that the District has experienced increased electricity consumption at the lift stations due to the wet weather. Excessive rainfall causes inflow and infiltration, which causes the lift stations to pump more, which raises the electricity bills at the lift station and the sewage treatment plant. The operator noted that the District must be continually vigilant about identifying and eliminating inflow and infiltration. The engineer noted that he would review the status of the District's inflow and infiltration control efforts in the hopes to identify sections which should be smoke tested.

The Board discussed security for park facilities, and Director Cox is attempting to locate sheriff's office personnel to hire for spring break. The attorney noted that the District would need to obtain a peace officer's bond at a cost of \$100, and the bookkeeper brought all necessary payroll information for the officer to complete. In addition, the officer should be supplied with a copy of the District's park rules, and the attorney noted that these are enforceable as penal ordinances of a city. Upon unanimous vote, the Board approved the operations and engineering report as presented.

9. The attorney noted that she had one ground water reduction credit contract for the Board's consideration with Southwest Wholesale. They are requesting to purchase 3,000,000 gallons per year for five years. Upon unanimous vote, the Board approved the ground water reduction contract as presented.

10. The attorney noted that the District was required to review the FTC identity theft red flag program on an annual basis. The attorney confirmed that there were no changes necessary to the program, and the operator noted that there were no responses to any red flag incidents in the past year. The attorney recommended that no changes be made to the program. Accordingly, upon motion duly made, seconded and unanimously carried, the Board voted unanimously to adopt the attached Resolution Affirming Identity Theft Prevention Program.

11. Lori Aylett presented an attorney's report and discussed activities undertaken on the District's behalf during the previous month. She noted that her bill next month would reflect a credit for an erroneous time entry put on the file by another attorney. The Board requested that the attorney update a previous memorandum regarding the concealed carry law and whether concealed carry prohibitions can be enacted in a public meeting setting. Director Archer requested a paper copy of the rate order. Upon unanimous vote, the Board approved the attorney's report as presented.

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


Secretary