

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
September 23, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, September 23, 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 Pam Graham, Delia Yanez, David Kasper, Dan Webb, Delilah Arolfo, Jeremy Cochran, Mrs. Wayne Scott, Andrea Martin, Sheila Griffith, Mandi Guerra, Ethan Springer, Nino Corbett, Brandon Smith, Debbie Shelton, 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 August 19, 2015, August 24, 2015, and August 26, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. The Chair asked for customer inquiries regarding utility or other District services. He reminded those present that this agenda item provides an opportunity for citizens to comment on non-agenda items before the Board. Comments are limited to five minutes per person unless extended by the Chair. By state law, comments by Board members on any item not on the agenda are limited to: a) Statements of a specific factual information given in response to any inquiry; b) A recitation of existing policy in response to an inquiry; or c) A proposal to place the subject on the agenda for a future meeting.

Pam Graham addressed the Board and noted that her most recent bill was very high, but she understands that the weather has been dry. She has been trying to read minutes online but could not find them on the District's webpage. The attorney noted that the District was not required to put minutes on its webpage. If fact, water districts are not required to have a webpage. The District's minutes and records are open for public inspection at the offices of the District's attorneys, and minutes can be produced in response to a duly made Public Information Act request. Ms. Graham asked if the District's budget was available, and the attorney confirmed that it was available and could be provided upon request.

Sheila Griffith stated that has been a resident of Newport for six years. Ms. Griffith had concerns about whether the District's meters were being read properly. Jeremy Cochran explained the procedures for reading meters in some detail.

The Board President then gave a Power Point presentation which included factual information about the District's operations and procedures. He noted that the District serves over 3,000 residential customers, two apartment complexes, a school, and several businesses. The District provides irrigation water for common areas in the golf course, twice weekly garbage and heavy pickup, and 24 hour 7 day callout for water or sewer problems.

In the District's parks, the District's operator provides fulltime employees to perform mowing, debris cleaning, landscaping, and restroom cleaning. The District must also maintain the facilities and make repairs due to vandalism. The District operates a 3.45 million gallon per day surface water treatment plant, a 1.333 million gallon waste water treatment plant, nine lift stations, three parks, two and a half miles of hike and bike trails, and a 7.5-acre detention pond. For the past two years, the District has operated at a budget deficit. Costs have increased for many goods and services, including raw water received from the San Jacinto River Authority, treatment chemicals, sludge hauling, and operation and maintenance of aging treatment facilities and infrastructure.

Director Scott noted that the District has absorbed price increases when possible and cut other expenses. The District makes aggressive efforts to sell water credits and shops for the lowest electricity rates. The District's rates are very competitive with providers that process surface water. The District is located in Area 2 and 3 of the Subsidence District and is thus required to reduce groundwater consumption. Surface water is much more expensive to produce than well water and requires extensive chemical treatment and 24 hour staffing. Director Scott then provided the current rates for water and sewer and the history of changes to the base rate and cost per 1,000 gallons. The Board President reported that in 1999, the District's tax rate was \$1.14. The District has been able to steadily lower that rate, and in 2009, the Board lowered the rate to \$0.64, where it has remained. The Board President discussed the possible reasons for water discoloration and odor. In response to a question from the audience, the Board noted that it cost over \$200,000 a year to maintain the parks. The Board President provided information on the maximum pay for directors pursuant to state law. Director Hembree noted that director pay represents 0.05% of the District's budget. The audience members thanked the Board President for the thorough communication about the District's duties and responsibilities.

Dan Webb reported on the activities of the crime watch committee. Since school is back in session, petty criminal activity is down.

3. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. She noted that her firm was not anticipating a request for any increase in bookkeeping fees in 2016. The District has 6.2 months of reserve in its operating fund as of today's meeting. The bookkeeper reviewed the budget in detail. Director Hembree noted that he had tried to call the bookkeeper's office recently and experienced problems with the main switchboard. He noted that the bookkeeper should take action to work out these problems immediately. The District received money from Industrial Metal Finishing for their groundwater credit agreements and for an insurance claim for lightening damage to a pump motor. The Board reviewed electricity

usage and noted that the meter at the Port O'Call water plant was now being used primarily to serve the District's park. For budgeting purposes, electricity billed at the Port O'Call meter should be coded to park expenses, not water expenses. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed thereon.

4. Delia Yanez presented a tax assessor/collector's report. 2014 taxes were 98.26% collected. Two checks were presented for the Board's review and approval. Lori Aylett presented a list of proposed water terminations and reminded the Board that taxpayers whose taxes are more than six months delinquent can have services terminated pursuant to state law. Upon unanimous vote, the Board authorized termination of water service. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

5. Debbie Shelton provided the Board with a financial advisor's report and tax rate recommendation. The District has certified and uncertified value totaling \$440,948,532. The financial advisor's tax rate recommendation takes into account that the Board plans to issue bonds in 2016. The financial advisor anticipated a 2016 bond issue of up to \$4,500,000 in making tax rate assumptions. The District needs a tax rate of \$0.335 for debt services. Given the District's budgetary needs, the financial advisor recommended shifting some of the debt service tax reduction over to maintenance and operations. The Board reviewed the budget and needs of the District and the consensus was that a \$0.30 maintenance and operations tax would adequately address those needs. Upon unanimous vote, the Board authorized the tax assessor/collector to publish a proposed 2015 tax rate of \$0.635, with \$0.335 attributable to debt service and \$0.30 attributed to maintenance.

6. There was presented the attached Resolution Requesting Estimate of Value as of October 1, 2015. The financial advisor stated that receiving an estimate of value from the Harris County Appraisal District would help her to ascertain the appropriate amounts of reimbursement owed to each developer in conjunction with the upcoming bond issue. Upon unanimous vote, the Board adopted the Resolution as presented.

7. Andrea Martin presented a billing and collections report. Total current payments were \$295,648.14, while total current billing was \$300,823.37. The 30-day arrears for August stood at \$76,104.71, but currently they stand at \$22,036.77. There were 47 new connections in the District, of which 36 were owners and 11 were renters. Of those new connections, nine were new homes, and 27 were pre-existing homes. 26 accounts were finalized, and there were 71 vacancies.

Ms. Martin then provided a report on behalf of Aggressive Waste. Seven yellow tags were issued for non-compliant household trash, and 16 yellow tags were issued for non-compliant heavy trash.

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

8. The Board received developers' reports. Nino Corbett gave a brief report on the status of his development.

9. The Board reviewed actions from the operations and engineering meeting. The District may want to receive more information about a Smart Meter program or a meter change-out program. The District may be able to achieve cost savings and encourage water conservation by using Smart Meters. The Board asked the District engineer to revise the draft cost summary for the proposed bond issue to include funds for replacement of all District meters with Smart Meters.

10. Lori Aylett provided a brief attorney's report. Her office has been working on delinquent tax collections. She is also working with the District engineering on the bond application.

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


Secretary