

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
January 27, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, January 27, 2016, 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

and the following absent:

Jim Hembree, Director.

Also present were Brandon Smith, Delilah Arolfo, Delia Yanez, Andrea Martin, Mandi Guerra, Margarette Chasteen, Ethan Springer, Andrea Martin, David Kasper, 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 December 9, December 14 and December 16, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. The Board reviewed the District's investments and authorized the bookkeeper to transfer monies as appropriate to TexPool to take advantage rising interest rates. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed on the report.

3. Delia Yanez presented a tax assessor/collector's report. 2015 taxes were 50.35% collected, and all prior years were over 99% collected. Two wire transfers were presented for the Board's review and approval. 12 checks were issued and one check was voided. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

4. Lori Aylett presented a proposed contract between the District and Smith, Murdaugh, Little & Bonham, L.L.P. to collect delinquent taxes on behalf of the District. The attorney proposed to be paid 20% of the delinquent taxes collected, plus expenses as outlined in the agreement. In addition, the attorney explained that pursuant to House Bill 1295, which became effective on January 1, 2016, business entities like her law firm that want to enter into, amend, extend or renew a contract with the District must submit a Disclosure of Interested Parties, also known as a Form 1295, in connection with the proposed contract. Specifically the

form must be submitted in connection with contracts that require an action or vote by the Board before they may be signed or have a value of at least \$1 million. The form must be filed online with the Texas Ethics Commission, and the Commission generates a unique certificate number for each form filed. The Form 1295 must then be executed by an appropriate representative of the business entity as a sworn statement in the presence of a notary and filed with the District before the District may enter into the contract. Lori Aylett presented the completed Form 1295 on behalf of Smith, Murdaugh, Little & Bonham, L.L.P. for the Board's consideration. The attorney indicated that if the Board accepted and executed the delinquent tax contract, the District would have 30 days to acknowledge receipt of the completed Form 1295. Upon unanimous vote, the Board acknowledged receipt of the Form 1295 and approved engagement of Smith, Murdaugh, Little & Bonham, L.L.P. as delinquent tax counsel to the District. The Board requested that the attorney complete the Form 1295 acknowledgment with the Ethics Commission on the District's behalf.

5. There was presented the attached Order Levying Additional Penalty for Delinquent Taxes. The order levies a 20% penalty on 2015 delinquent taxes for business personal property on April 1, 2016 and for real property on July 1, 2016. Upon unanimous vote, the order was adopted as presented.

6. The Board considered tax exemptions for the year 2016. There was presented the attached Order Adopting Residence Homestead Exemption for Persons Sixty-Five or Older or Disabled. The tax assessor/collector reported that 83 residence homesteads qualify for a disabled exemption and 469 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 2016 tax year. Upon unanimous vote, the Board adopted the order as presented.

7. Ethan Springer reported on the status of Lennar's activities in the Newport Villas and Seven Oaks developments. Lennar has had 18 sales in the Villas. Things have slowed down a little bit. In Seven Oaks, they have sold and closed 26 homes.

8. The Board entertained customer service inquiries. Margarett Chasteen stated that Stonebridge at Newport closed on the purchase of the golf club and county club. She reported that Stonebridge at Newport is a for-profit entity, but any profits that are earned will be paid back to the Newport Property Owners Association. Stonebridge has an application for service pending with the District for water. Stonebridge intends to begin resolving issues relating to their raw water intake.

9. Andrea Martin presented a billing and collections report. Total current payments were \$241,699.42, while total current billing was \$220,950.21. The 30-day arrears were \$59,916.62 at the end of December, and as of today's meeting they were at \$15,099.61. There were 37 new connections in the District, of which 31 were owners and six were renters. Of those new connections, 12 were new homes, and 25 were pre-existing homes. 11 accounts were finalized, and there were 54 vacancies. Ms. Martin reported that stand-by fee collections in 2015 totaled over \$10,000.

Ms. Martin then addressed the report from Aggressive Waste. The garbage contractor issued five yellow tags for non-compliant household trash, and 20 yellow tags were issued for non-compliant heavy trash.

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

10. The Board discussed operations and engineering matters. First, the engineer reported that the developer's engineer for Newport, Section 8 has revised their design plans and specifications regarding the detention pond to be constructed. The project is presently being advertised for bid.

Bids for construction of water, sewer and drainage for the Newport Villas development were received on Friday, January 22, 2016. The low bidder appeared to be Crostex with a bid price of \$437,977.70 for the water, sewer and drainage work. Upon unanimous vote, the Board authorized award of the contract to the low bidder.

Bids for the Newport, Section 4 partial re-plat water, sewer and drainage construction were received on Friday, January 22, 2016. The developer's engineer recommended award of the contract to the low bidder D. Grimm, Inc. for the bid price of \$451,304. Upon unanimous vote, the Board authorized award of the contract as recommended by the developer's engineer.

On the Newport, Section 8 detention pond contract, the engineer reported that a change order will be issued for construction of a pond in Section 8. There will be 20 lots that will not be built upon, and a new drainage channel will be required. The total cost of the change order is \$58,926.25. The engineer recommended that the Board approve the change order, and the Board concurred.

Brandon Smith reported on District operations. The operator completed framing for the chemical building at the surface water treatment plant. Plumbers are on-site today, and the air conditioning and heating should be installed by the end of the week. Replacement of the roof at Water Plant No. 1 has begun. The operator has completed installation of the sampling bibs in the yards. The operator replaced submersible pumps at the wastewater treatment plant with a different type of pump for better efficiency and cost savings.

Finally, Delilah Arolfo announced that Jeremy Cochran had submitted a resignation and was no longer with Professional Utility Services. The operations company still possesses all the necessary certifications for operation of District plants and facilities. She noted that her company will continue to strive to provide the highest quality of services to the District.

Upon unanimous vote, the Board approved the operations and engineering report as presented.

11. The Board reviewed a list of write-offs for doubtful accounts. Upon unanimous vote, the Board approved the write-offs totaling \$10,365.78.

12. Lori Aylett discussed the status of the annexation and utility agreement with International Union of Operating Engineers. She discussed with the Board some proposed comments and revisions that the Union had requested. The Board authorized the attorney to continue negotiations with the Union.

13. Lori Aylett presented an attorney's report. She provided the Board with a calendar of annual events. The Board elected to retain the parks meeting for the months of February and March and thereafter to remove the meeting from the calendar. In addition, the Board removed the walk-throughs from the calendar. Finally, the attorney noted that she had received an Open Records Act request from a law firm requesting information about a particular customer account. The attorney will work with the operator to respond to the Open Records Act request.

14. There was presented the attached Order for Election of Directors. Upon unanimous vote, the order was adopted as presented.

15. Debbie Shelton addressed the Board under pending business. She submitted a report on a proposed refunding bond transaction and reviewed potential savings with the Board in some detail. After discussion, the Board noted that they would have interest in proceeding forward with the transaction at the next Board meeting. The Board requested that the attorney place items on the next regular business agenda for further discussion of a proposed refunding bond transaction.

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


Secretary