

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
March 23, 2017

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on March 23, 2017, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Jim Hembree, President
R. Gary Hasse, Vice President
Don Cox, Secretary
Margarette Chasteen, Assistant Secretary
David P. Guidry, Director

and the following absent:

None.

Also present were Delia Yanez, Mandi Guerra, David Kasper, Delilah Arolfo, Brandon Smith, Andrea Martin, Eileen Fashoro, Carlos Castrejon, Rich Harcrow, Mike Bowlin, Dan White, 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 held February 23, 2017 and March 9, 2017 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. Delia Yanez presented a tax assessor/collector's report, a copy of which is attached. 2016 taxes were 94.42% collected, while all prior years were over 99%. Two wire transfers were made, and 17 checks were presented for the Board's approval. Ms. Yanez presented one request for waiver of penalties and interest in the amount of \$88.63. The customer was able to prove that the payment was mailed but not received. After discussion, upon unanimous vote, the Board authorized waiver of the penalties and interest on the account. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented and authorized payment of bills with the checks drawn on the tax fund.

3. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. The District has a little over 10 months of reserves in the operating fund. After payment of today's bills, the District will have a balance in the operating fund of \$4,143,924.64. The capital projects fund stands at \$2,787,664.43. The debt service fund balance is \$2,457,066.95. Unusual items included billing of all legal fees for the Newport Pointe and Union annexations. The bookkeeper indicated that AVR is behind in their billing, and Director Hembree asked the bookkeeper to advise AVR to get current on their bills. Director Cox inquired about the differing due dates for the Comcast bills. The bookkeeper indicated that there were several different accounts for the District, and due to the vagaries of the U.S. Mail system, the bookkeeper does

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not receive the bills at the same time. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed on the report.

4. Andrea Martin presented a billing and collections report. Total current billing was \$239,449.55, while total current payments were \$254,507.56. Deposits in-house were \$440,532.50. The 30-day arrears were \$49,854.45 at the end of February, and as of today's meeting they were at \$19,622.49. There were 35 new connections in the District, of which 23 were owners and 12 were renters. Of those new connections, nine were new homes, and 26 were pre-existing homes. 15 accounts were finalized, and there were 60 vacancies.

Ms. Martin next presented a report on behalf of Aggressive Waste. Two yellow tags were issued for non-compliant household trash, and two yellow tags were issued for non-compliant heavy trash.

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

5. The Board entertained developers' reports. Carlos Castrejon noted that Lennar needs about two more weeks to finish clearing and grubbing for lots in Phase 2 detention in Newport, Section 8, Partial Re-plat 4. The developer received bids for water, sewer and drainage construction on March 9, 2017 for the Phase 1 of the Partial Re-plat 4. The low bid was Crostex in the amount of \$679,009.45. The District engineer has reviewed the bid tabulation, and a Form 1295 was provided. The District engineer concurred with the developer's engineer's recommendation of award to the low bidder. Upon unanimous vote, the Board concurred with award of the contract to Crostex for the amount bid.

Lennar has also completed underground utilities and paving for the first part of Section 8. In Section 12, Lennar is working with the neighbors to resolve the drainage issues. In Seven Oaks South, every new home built by Lennar received an irrigation system, but in Sections 8 and 12, the homes will have an option to participate.

Eileen Fashoro reported that there was no change in the development status of Rampart. There is a new builder in the subdivision. Lennar is bringing in third-party builder, Century.

6. The Board reviewed the operations and engineering matters. Brandon Smith reported that the District had 91% water accountability. Water accountability numbers are much improved since repair of the main line water break.

David Kasper reported on engineering matters. On March 21, 2017, the engineer received bids for the water meter replacement project. The low bidder appeared to be Thirkettle Corp. dba Aquametrics Sales Company, with a bid of \$825,957.23. The engineer also reviewed the other estimated costs of the program including \$35,500 to install meter data collection infrastructure, \$25,225 for set-up and training, \$11,162 for one-year software and web hosting, and professional fees of \$32,910. The total project cost is estimated to be \$930,754.23, well within the District's budget in the 2016 bond issue of \$974,700 plus a 15% construction contingencies. The engineer recommended award of the contract to Thirkettle Corp. Upon

unanimous vote, the Board approved award of the contract as recommended by the District engineer.

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

7. The Board reviewed a customer service request. Director Hembree noted that he had received a complaint letter from a representative of Kendall Homes at his home address, which has not been made available to the public. The consultants confirmed that they did not share his home address or information, and no one was aware of how this correspondence got directed to Mr. Hembree's residence. Delilah Arolfo presented a spreadsheet of all Kendall Homes final bills. The operator's office had brought to Kendall Homes' attention that they owed final bills on several builder home accounts. Delilah Arolfo confirmed that Kendall Homes had been given the bills on several occasions. Director Hasse asked the operator if she had come to the Board in the past with these receivables, and the operator confirmed that until recently she had not. The balance became so high that the operator advised Kendall Homes that they would not make any more taps, and that action triggered the complaint letter from Kendall Homes. The operator confirmed that the builder deposit is used for builder construction damage. The operator reviewed all of the outstanding bills with the Board in detail. She made a recommendation for an adjustment in the amount of \$948.28 on those accounts in which a resident moved in during the month and there was actually zero usage to the builder. Upon unanimous vote, the Board authorized the write-off of \$948.28 as recommended by the operator.

8. The Board briefly discussed the District's rate order and rate schedule. The attorney noted that her firm is changing the format of the rate order to separate rates from policies. The operator has not yet had an opportunity to review the document, so the Board deferred consideration until the next meeting.

9. Lori Aylett presented an attorney's report. She presented one groundwater reduction plan for the Board's review and approval. The Board approved the agreement as written.

She also presented a memorandum regarding legislation currently being proposed that could affect water districts and other public bodies. The Board briefly discussed the upcoming defined area election. The Board noted that they may want to have a workshop meeting in the future to discuss the matter further.

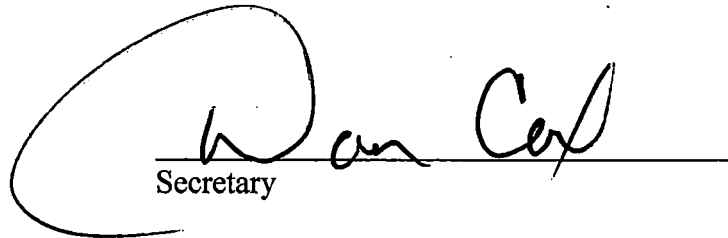
10. The Board President recognized Dan White and Mike Bowlin, who were present to discuss a proposed Water Supply Agreement with Harris County MUD 525. The developers of that district introduced themselves and reminded the Board that they had purchased property in MUD 525 from Rampart, and they are still interested in development. The developers noted that when discussions first began about the provision of water service, the Newport MUD engineer had provided preliminary costs per 1,000 gallons of \$5.18. Newport MUD's actual offer to sell water was \$7.18 per 1,000 gallons plus the SJRA rate. The developers of MUD 525 noted that they had reviewed Newport's proposal in detail and also took time to review other options. The developers stated that they were willing to pay the District's proposed rate of \$7.18 per 1,000 gallons but they would like to have the option not to participate in the

expansion of the plant in 2025. Director Hembree stated that the Board would not be prepared to act upon an offer presented at the meeting verbally and encouraged the developers to make a written counter-proposal with a long-term commitment. Director Hembree requested that the developers provide them with a firm counter-proposal with a longer term commitment.

11. There was presented the attached Order Designating Polling Places and Appointing Election Officers. Upon unanimous vote, the Board approved the order as presented.

12. The Board briefly discussed the District's contract with Aggressive Waste, which expires on June 30, 2017. The Board noted that they were satisfied with the services and the rate and elected to take no action on the contract at this time.

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


Secretary