

LUMBERTON MUNICIPAL UTILITY DISTRICT

625 FM 421
P.O. BOX 8065
LUMBERTON, TEXAS 77657

OFFICE: (409) 755-1559

FAX: (409) 755-2345

January 13, 2017 #1 – R

Chapter 551, Subchapter D, of the Texas Government Code

Notice of a Regular Meeting of the Board of Directors of the Lumberton Municipal Utility District, Lumberton, Texas.

Notice is hereby given that a Regular Meeting of the Board of the Lumberton Municipal Utility District of Lumberton, Texas will be held in the Lumberton Municipal Utility District's office at 625 FM 421, MONDAY, THE 16th DAY OF JANUARY AT 6:30 P.M., at which time the following items of business will be considered:

1. Prayer and Pledge to the Flag
2. Public Comments of Agenda Items
3. Approval of Minutes of December 19, 2016
4. Consideration and Possible Capacity and Construction Approval – Floor Care & Interior, 2995 Hwy 69 South, Kelly Klodzinski, owner
5. Consideration and Possible Capacity and Construction Approval – Leslie's Swimming Pool Supply, 133 S. LHS, Joanna Orlando, ArcVision, Inc.
6. Consideration and Possible Final Approval – Copper Point, Phase I, 49 lots, John Boykin, developer
7. Consideration and Possible appointment of Lumberton Municipal Utility District Committees:
 - A. Investment Policy Committee
 - B. Audit Policy Committee
 - C. Sexual Harassment Policy Committee
 - D. Fraud Policy Committee
8. Consideration and Possible Action on Water and Sewer service rate and/or fee increase
9. Consideration and Possible Action to authorize filing disclosure Notice as to District Net Revenue and Reserve Fund Bond Covenants
10. Consideration and Possible Action of Manager's Report
 - A. Presentation of Financial Statement and Accounts Payable
 - B. Presentation of Production Report and Operations Report
 - C. Presentation of Important Dates
11. Executive Session
Executive or Closed Session to Discuss Deliberation regarding Real Property as permitted by Section 551.072 of the Texas Government Code
 - A. Sale of District Property – 55 West Chance
12. Consideration and Possible Action on Deliberation of Executive Session
13. Public Comments
14. Payment of Bills
15. Adjournment

If, during the course of the meeting covered by this Notice, the Board should determine that a closed or executive session of the Board should be held or is required in relation to any agenda item included in this Notice, then such closed or executive meeting or session, as authorized by the Texas Open Meetings Act, will be held by the Board at the date, hour, and place given in this Notice concerning any and all subjects for any and all purposes permitted by §551.071-551.084 of the Texas Government Code and the Texas Open Meetings Act, including, but not limited to, §551.071—for the purpose of a private consultation with the Board's attorney on any or all subjects or matters authorized by law.

POSTED: January 13, 2017

**Roger Fussell
District Manager**

Lumberton Municipal Utility District

2017 JAN 16 PM 4:10

By: _____

Anna Saldaña

**REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
LUMBERTON MUNICIPAL UTILITY DISTRICT**

The regular meeting of the Board of Directors of the Lumberton Municipal Utility District was held on Monday, December 19, 2016, at 6:30 p.m. at the offices of the District pursuant to notice duly posted in accordance with the law. The following members of the Board were present:

David Desormeaux

Roger Smith

David Pitchford

Nick Carter

Absent: Jimmy Burk

Also present were Roger Fussell, Carla Belt and Robb Starr as employees of the District, Chuck King as a representative of Woosley Palms, and Guy N. Goodson of Germer PLLC as legal counsel for the District.

Agenda Item No. 1: Prayer and Pledge. A quorum being present, the meeting was called to order and the prayer and pledge were both led by President Carter.

Agenda Item No. 2: Public Comments of Agenda Items. None.

Agenda Item No. 3: Minutes. The Minutes of November 21, 2016 were approved as presented. The Minutes of the special meeting of November 30, 2016 were also approved as presented.

Agenda Item No. 4: Supplemental change of 2016 Tax Roll. The Board recognized Roger Fussell who advised that the supplemental roll was sent annually to close out pending appraisal contests or disputes. Mr. Fussell noted that the appraisal roll had increased by \$11,585,627 bringing the certified roll, as supplemented, to \$1,091,643,217. After discussion and upon motion duly made

Director Smith and seconded by Director Desormeaux, the supplemental tax roll was approved as presented.

Agenda Item No. 5: Construction approval – Crawfish’n Restaurant, 1373 Hwy 96 S., Jay Gerdes, owner. Mr. Fussell noted that this restaurant had received capacity approval recently by the Board, and the owners were prepared to begin construction as they hoped to have the facility open in crawfish season in early 2017. After discussion and upon motion duly made by Director Smith and seconded by Director Desormeaux, the Board provided construction approval for Crawfish’n Restaurant.

Agenda Item No. 6: Final approval – Woosley Palms, Phase II, Section A, 20 lots, Chuck King, developer. The Board recognized Mr. Fussell who reviewed the file and recognized Mr. Chuck King, the developer. After discussion and upon motion duly made by Director Smith and seconded by Director Pitchford, the Board provided final approval for Woosley Palms, Phase II, Section A, 20 lots.

Agenda Item No. 7: Manager’s Report.

A. Presentation of Financial Statement and Accounts Payable. The Board recognized Carla Belt who presented the financial information. Ms. Belt presented the bank accounts showing deposits at BBVA Compass Bank of \$666,825.61 collateralized by a federal home loan Bank of Atlanta letter of credit. Ms. Belt noted that deposits at Wells Fargo were \$2,996,275.76 collateralized by market securities pursuant to the collateral pledge. The Board then reviewed the accounts payable for the month in the amount of \$310,384.46. The Board then moved to consideration of the budget year-to-date which showed a monthly operating profit of \$40,173,060. Ms. Belt then presented monthly charts and graphs of budget activities and revenue comparisons.

B. Presentation of Production Report and Operations Report. The Board then recognized Robb Starr who presented the Water Treatment & Wastewater Treatment Facility Summary showing no exceedances and no bad samples for the month as well as the Water Treatment Plant showing 26 good samples. Mr. Starr advised of a minor injury to one of the District employees, and a discussion followed on the safety procedures to avoid further injuries of this nature. Mr. Starr also reported on an electrical outage and other matters relative to District facilities. Mr. Starr noted that the TCEQ had completed a semi-annual inspection of the District's facilities and certain minor issues were noted including the request for the District to utilize updated TCEQ reporting forms. Mr. Starr stated he would advise more thoroughly once the inspection report was presented. The Board was presented the Production Report followed by the Vehicle, Mileage and Maintenance Reports, and Mr. Starr noted that there were a higher than normal instance of repairs to District vehicles. Mr. Starr closed with a presentation of the log of calls and various charts and graphs on customer usage, customer profiles and water pumpage to usage.

C. Presentation of Important Dates. The Board then recognized Mr. Fussell who indicated that the District was still working with its software provider to resolve matters, and some including reconciliation of meter accounts and readings were progressing, but the inventory module was not working properly, and it did not appear that the IT provider had a solution. Mr. Fussell advised the Board that he was going to be providing information to District's legal counsel as further action may become necessary due to the non-performance by the IT provider under the service and system contract. Mr. Fussell then noted that the District's audit had been completed which would be filed as part of its bond continuing disclosure obligations with the assistance of the District's financial advisors at U.S. Capital Advisors.

Mr. Fussell stated that U.S. Capital Advisors had found bond covenant issues which would need to be disclosed, and Mr. Fussell asked legal counsel to expand on those findings.

Legal counsel advised that the District had outstanding two (2) revenue bond issues, one in 2007 which was sold to the Texas Water Development Board and a 2012 Series that was sold in the public market place. Mr. Goodson advised that the District bond issues have rate coverage covenants which required the District to generate net revenues [gross revenues, less of maintenance and operating expenses] sufficient to provide a 1.20 coverage of all debt service requirements for the District's outstanding revenue bonds. Legal counsel reviewed a short report that had been generated by U.S. Capital Advisors which showed that the District's debt service coverage had fallen below the 1.20 in 2015 and had a more serious decline in fiscal year 2016. Legal counsel noted that based on preliminary calculations by U.S. Capital Advisors, the District needed an additional revenue requirement of \$382,744.00 to meet its coverage requirement which would result in approximately a \$4.00 per month per connection charge based on current water and sewer connections.

Mr. Fussell noted that the District's audit and schedules required for continuing disclosure must be filed by the end of the year, but the District would need to address curative action on the rate coverage covenant. The Board asked legal counsel in collaboration with the District's financial advisors to review all fiscal year coverages since the issuance of the 2012 Bonds to determine if these were the only two (2) years in which the coverage had fallen below the required 1.20 coverage.

District staff noted that while revenues had continued to increase, so had operating expenses. District staff also noted that due to the final write off of certain assets, the District's depreciation had dropped approximately \$150,000 impacting the net operating

revenues of the District. Legal counsel stated that he expected to have the information in advance of the Board's January meeting at which time they could, again, begin the review to address the rate coverage issued and the required remedial action.

Agenda Item No. 8: Executive Session. The Board moved into executive session at 7:20 p.m. The Board returned from executive session at 7:27 p.m.

Agenda Item No. 9: Action on Deliberation of Executive Session. Mr. Fussell indicated he had received an updated bid from Coastal Demolition to demolish the District's former office building at 55 West Chance Road at a cost of \$11,800.00. After discussion with the Board and upon motion duly made by Director Pitchford and seconded by Director Desormeaux, the Board unanimously approved the execution of the contract with Coastal Demolition for the District's former office building.

Agenda Item No. 10: Public Comments. None.


Agenda Item No. 11: Payment of Bills. After discussion and upon motion duly made by Director Pitchford and seconded by Director Smith, the payments of bills were approved as presented.

Agenda Item No. 12: Adjournment. There being no further business, the meeting was adjourned at 7:29 p.m.



President of the Board

ATTEST



Secretary of the Board