

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Special Meeting of Board of Directors
April 9, 2019

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on April 9, 2019, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Margarette Chasteen, President
DeLonne L. Johnson, Vice President
Deborah Florus, Secretary
R. Gary Hasse, Director

and the following director absent:

Earl B. Boykin, Assistant Secretary.

Also present were George House, Andrea Martin, Kelly Shipley, Bill Rosenbaum, Rich Harcrow, Delilah Arolfo, Chad Rochester, Debbie Shelton, Eileen Fashoro, Nino Corbett, 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. The Board discussed developer reimbursement contracts and formulas for reimbursement in some detail. The attorney noted that the District has used the same formulas for many years in an attempt to encourage quality development and protect District taxpayers against a tax rate increase. The general idea is that the value added by the developer must support the debt service on bonds issued to reimburse them at a tax rate of \$0.60 per \$100 of valuation over a 20 year amortization. The attorney reminded the Board that the District had previously agreed to reimburse Newport Pointe for water line extensions, a sewer line extension and a lift station that will serve the Defined Area. The District is obligated to issue bonds out of the 2005 authorization for this project. The District has a separate reimbursement for the Defined Area and the tax rate of the Defined Area plus the tax rate in the old Newport MUD cannot exceed \$1.25 per \$100 assessed valuation. Finally, in recent months, the District realized that it did not have enough voted authority to enter into new reimbursement agreements with developers, and in the most recent reimbursement agreement with Rochester Development, the District's obligation to issue bonds was made expressly contingent upon the passage of a future successful bond election.

The Board discussed how to encourage quality development and how to incentivize quality new development. The Board asked for input from the developers present at the meeting.

Eileen Fashoro noted that there was a trend toward smaller lots, but not necessarily lower quality homes. Rampart gets a lot of demand for housing for people who do not want a large yard to maintain.

Chad Rochester reported that with the current school district controversy, he has had home builders back out of lot sales in his development.

Nino Corbett stated that he is in the process of evaluating his development plan and how the District's formula will work for him. Newport Court will be built out in 120 days. Mr. Corbett confirmed that builders do try to get the price point lower so that they can sell more homes and make more profit. He stated that he addresses quality development issues by building sidewalks in all of his communities and by setting the house back, whenever possible. He stated that his reimbursement numbers were challenging, but he has respect for the District's reimbursement contract because it forces him to give attention to the quality of his development.

2. The Board reviewed a cost summary for the 2019 bond application. The engineer presented a cost summary of developer and District projects totaling \$7,500,000. Debbie Shelton indicated that if the District issued these bonds and if the assessed value of the District did not increase, in a worst case scenario, the District would have to reallocate \$0.01 from maintenance and operations to debt service.

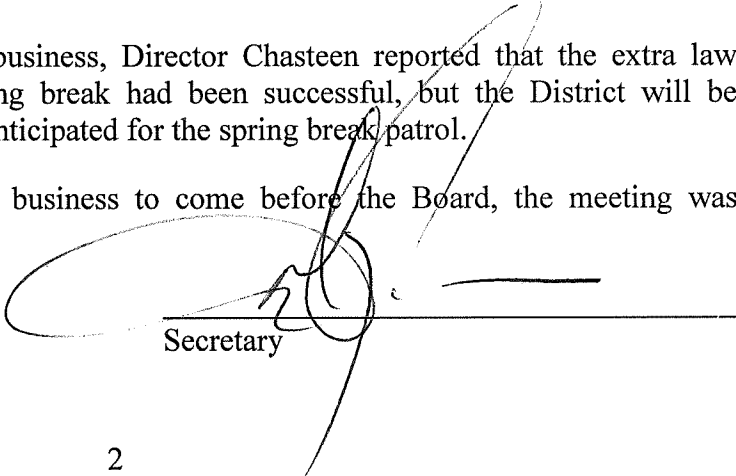
The engineer also presented a preliminary capital improvements plan. The Board noted that the engineer and operator will have to continue to refine the capital improvements plan to help the District understand what the District's long-term needs are and how much to request in a bond election.

3. The Board discussed a possible bond issue for park projects. The Board noted that the District has remaining park bond authority of \$1,610,000. The District now has enough assessed value to be able to issue the remaining park bonds. Debbie Shelton noted that issuing the park bonds would make \$0.01 difference in the District's tax rate. The attorney confirmed that the District could reimburse its general operating fund for park expenditures that were previously made for improvements, subject to receipt of approval from the Texas Commission on Environmental Quality. The operator noted that the District could improve the parks by adding water features at the two remaining parks and shade structures for all the playground equipment. The Board requested that the operator and engineer work together to formulate a cost summary for a park bond application.

4. The Board next discussed bond election procedures. The attorney noted that the last day to call a bond election for November would be August 19, 2019. Because of current election laws, the District will need to conduct a November election with Harris County. The attorney noted that it would be important to educate the community before the election. The engineer will continue to formulate cost summaries for a future bond election.

5. Under pending business, Director Chasteen reported that the extra law enforcement patrols engaged for spring break had been successful, but the District will be spending more money than originally anticipated for the spring break patrol.

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



Secretary