

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
April 18, 2019

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on April 18, 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
Earl B. Boykin, Assistant Secretary
R. Gary Hasse, Director

and the following director absent:

None.

Also present were George House, Rich Harcrow, Jorge Diaz, Bill Rosenbaum, Andrea Martin, Chad Rochester, Christine Matzonkai, Josh Rambo, Don Cox, Eileen Fashoro, Josh Meador, Debbie Shelton, Carlos Castrejon, Rhonda Patterson, Delilah Arolfo, and Lori G. Aylett, the 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 minutes of the meetings of March 21, 2019 and April 9, 2019 were presented for the Board’s review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The chair opened the floor to customer service inquiries. Don Cox asked about the status of the Union’s non-taxable entity tap fee. The attorney advised that the Union had provided an irrevocable letter credit for the benefit of the District, so that when the Union’s tax exemption is made permanent the District will receive over \$4,000,000.

3. Rhonda Patterson presented a tax assessors/collector’s report, a copy of which is attached. The District’s 2018 taxes were 95.82% collected, and all prior years were over 99% collected. There were eight checks presented and two wire transfers were made. Upon unanimous vote, the Board approved the tax assessor/collector’s report as presented.

4. Jorge Diaz presented a bookkeeper’s report, a copy of which is attached. The Board was pleased to note that the District has 10.5 months of operating reserves. The bookkeeper reviewed the checks and expenditures in detail with the Board. Upon unanimous vote, the Board approved the bookkeeper’s report as presented and authorized payment of checks listed thereon.

5. Josh Rambo presented the audit report of McCall Gibson Swedlund and Barfoot, PLLC for the District's fiscal year ended December 31, 2018. He stated that his firm was providing a clean or unmodified opinion. The District had six months of reserve in its general fund at the end of the fiscal year. The District had 75% of next year's debt service in the debt service fund. The fund balance increased by \$1,144,540. The Board reviewed the management discussion and analysis and the auditor's letter in detail. Upon unanimous vote, the Board approved the audit and authorized its filing as required by law.

6. There was presented the attached Resolution Affirming Review of Investment Policy, Strategies and Objectives and the list of approved brokers/dealers. The attorney noted that according to the Public Funds Investment Act, the District is annually required to review its investment policy to assure its compliance with Texas law. The attorney recommended no revisions to the investment policy, and the auditor's report noted no deficiencies with respect to how the District's investments are handled. The Board also reviewed a list of brokers/dealers to be authorized to engage in investment transactions with the District. Upon unanimous vote, the Board adopted the Resolution and brokers/dealers list as presented.

7. The Board considered review of the District's investments for compliance with Senate Bill 253. The attorney reminded the Board that Senate Bill 253 prohibits the District from investing with entities that support terrorist organizations. The District's investment officer, Jorge Diaz, must periodically review a list of such entities that will be prepared by the Texas Comptroller of Public Accounts and made available on their website. The Board authorized the investment officer to perform periodic reviews to confirm compliance with Senate Bill 253.

8. Lori Aylett discussed the continuing disclosure filing with regard to the District's bonds. Pursuant to Bond Orders previously adopted, the District is required to annually update certain material information, including the audit, that might be of interest to District bondholders. Upon unanimous vote, the Board authorized the attorney to make the continuing disclosure filing as required by law.

9. The Board considered the requirement to file a HB 1378 (Chapter 140, Texas Local Government Code) Annual Local Debt Report. The attorney noted that the District can comply with the law by filing its audit with the Texas Comptroller. Upon motion duly made, seconded and unanimously carried, the Board voted unanimously to authorize the attorney to make the required Annual Local Debt Report filing.

10. The chair called for developers' reports. Chad Rochester noted that Sections 6 and 10 clearing and grubbing are complete. The contractor needs to chip and haul off the debris piles. On the behalf of the District, the developer opened bids for water, sewer and drainage construction two weeks ago. The developer chose to reject the bids and the project will be re-bid.

Carlos Castrejon reported on the development efforts of Lennar. Section 7 Partial Replat 1 is substantially complete as of yesterday. Lennar has had nine sales year-to-date. On Section 7 Partial Replat 3, Lennar's engineer is receiving bids on behalf of the District on April 25, 2019.

Eileen Fashoro reported on the development efforts of Rampart. They have recorded a replat of Section 4 Partial Replat 3, sometimes known as the Chart Drive replat. The lots in this area will be 60-feet wide by 188-feet deep. The developer is also replatting three lots further down on Chart. There is some interest in the commercial property on FM 2100, and the District's engineer will be contacted.

11. The Board discussed the status of the Section 9 detention pond. Chad Rochester noted that Monarch Civil was the contractor for construction of that section and the detention pond. Toward the end of the project, the contractor went out of business and did not complete the punch list. Chad Rochester has been dealing with the bonding company, and the process has been long and difficult. Chad Rochester committed that he will fix the punch list issues. He did note that he had hired a contractor to regrade and hydromulch the area. Director Johnson went over the deficiencies in some detail with Mr. Rochester. The Board noted that they will not accept permanent conveyance of or maintain the detention pond until the District's engineer certifies it is complete and has been constructed in compliance with all specifications. In addition, the Board requested that paved access be provided to all ponds for ease in maintaining. The Board requested that Environmental Allies give the District a new budget for pond maintenance, and the operator will follow up with them.

12. The Board considered a request from Rochester development to use fill dirt from the District's sewage treatment plant. Chad Rochester noted that he brought this request to the Board because he had been told that there was a pile of fill dirt at the sewage treatment site that was not in use by the District and was in the way of operations. The engineer noted that he had not had an opportunity to look at the fill dirt, to see if it could be of use to the District. Likewise, the developer had not looked at the dirt to see if it was the appropriate fill dirt for his project. The engineer and operator agreed to discuss the request in more detail. In the meantime, the developer will go on to the site and look at the fill dirt to see if he is still interested. After discussion, the Board agreed to table the matter to give all parties the opportunity to review.

13. The Board received a report from Chad Rochester regarding a development and request for utility commitments and reimbursement contract for a proposed 7.5 acre patio home project on Golf Club Drive. Mr. Rochester prepared a value comparison for the Board's consideration showing that the price per square foot on homes in Newport Place was actually greater than the price per square foot of homes in Newport Court. Mr. Rochester did acknowledge that Rochester Enterprises will not be using LGI for future projects. He made a presentation to the Board regarding the proposed patio home project which would be comprised of approximately 37 lots. The average width of the lots was 40-feet with a depth of 110-feet. The property owners association would maintain the pond. K. Hovnanian is interested in building. The developer anticipates average home value of \$225,000 per home and a cost of development of approximately \$450,000. Mr. Rochester requested that the Board consider a reimbursement agreement at the next meeting. Mr. Rochester noted that he understood that the reimbursement agreement would be subject to a future successful bond issue. Director Johnson apprised the Board that he had met with Mr. Rochester to discuss and gather more information about development and long term values of housing.

14. The Board reviewed an offer of sale for Lot 54, Block 8, Newport Section 6. Josh Meador approached the Board and offered \$3,000 for this vacant lot located at 17611 Typhoon Way. Mr. Meador stated that he lived at 17607 Typhoon Way. The purpose of his purchase of the lot would be to maintain it and increase the size of his yard. The lot has been deemed unbuildable, which was why the developer had given it to the District. It is adjacent to one of the District's trails, and Mr. Meador noted that people use the lot for a cut-through, which he would like to stop. Director Hasse noted that he did not like the idea of losing any wooded area. Other Board members stated that they did not have enough information to evaluate the proposal and wished to look at the lot. Accordingly, the Board tabled consideration of the proposal until the next meeting.

15. The Board reviewed an operations report, a copy of which is attached. The District accounted for 99% of the water produced, and the operator reviewed completed and pending items in some detail with the Board. The wastewater treatment plant had 1.3 inches of rain and operated with no violations. Rich Harcrow discussed District work.

Andrea Martin presented the billing and collections report, a copy of which is attached. Total current billing was \$309,042.18, while total current payments were \$307,443.41. The current arrears as of today's meeting totaled \$24,082.04.

The Board reviewed the report of Aggressive Waste which indicated no yellow tags and no missed pick-ups. The operator indicated that they had received 13 separate complaints regarding missed collections and late pick-ups. Several residents have complained on social media about the late pick-ups, the appearance garbage trucks, and related matters. The attorney had directed correspondence to Aggressive Waste reminding them of the requirements of the contract. The attorney had not received any reply to the correspondence. The operator noted that she would like better communication from the garbage contractor. Often times, the operator does not know that collections are late until residents begin calling their office. The Board instructed the attorney to put consideration of the garbage contract on the next agenda. Upon unanimous vote, the Board approved all operations, and billing and collections reports.

16. The Board reviewed the parks and recreational facilities report, a copy of which is attached. The District has 827 key fobs in operation, indicating that many residents use the parks. The operator presented some quotes for splash pads and covers for the Board's review. Delilah Arolfo noted that the operator has to turn away people from events at Port O'Call Park because of the heavy demand. The splash pad is what makes this park more attractive. The District's parks have been in operation for some years now, and the Board is in a better position to know what is being used and what is not. In the operator's opinion, the District should have more water features and shade structures and the parks should be landscaped better. Director Hasse noted that he would like to see more sidewalks. The attorney noted that the Commission rules were specific about the circumstances under which bond proceeds can be used for sidewalks, and she will check those rules and provide the Board with advice. The operator is continuing to get quotes for various other projects. The Board appointed Director Chasteen and Johnson to serve on a parks committee with the operator to review proposals and make recommendations to the Board for improvements to the parks. Upon unanimous vote, the Board approved the parks and recreational facilities report as presented.

17. Bill Rosenbaum presented an engineer's report, a copy of which is attached. The engineer presented a previously approved change order for the Board's signature. The engineer presented Pay Application No. 4 for the Section 7 Phase I detention and Pay Application No. 2 for Section 7 Partial Replat 1 water, sewer and drainage projects. The engineer reported receipt of a request from Hannover Estates for information on whether the District has capacity to provide sewer service for 1,100 equivalent single family connections in their development. This would equate to 350,000 gallons per day. The attorney and engineer noted that such requests were routine and required by TCEQ rules before a developer could commence with construction of its own treatment plant. Some Board members indicated interest in the possibility of serving the tract and requested information. The engineer will reach out to Hannover to ask for more information about the location of their development and the conditions under which they would be willing to be served by Newport.

Bill Rosenbaum reported that IDS wrote a letter to the City to release the plans for the emergency generator elevated platform. Mr. Rosenbaum believes that he has everything he needs from IDS for the generator project and the remaining FEMA projects. The Board discussed the remaining invoice presented by IDS that is outstanding. The Board agreed that the invoice would not be paid at this time as there was insufficient detail to support payment. Upon unanimous vote, the Board approved the pay applications and engineer's report as presented.

18. The engineer presented cost summaries for bond application report for water, sewer and drainage projects and for parks projects. The total of the cost summary for water, sewer and drainage projects was \$7,500,000 and the total for the parks projects was \$1,410,000. Upon unanimous vote, the Board approved the cost summaries and authorized the engineer to begin preparation of the bond application report.

19. The Board next considered the attached Order Amending the Drought Contingency Plan. Upon unanimous vote, the Board adopted the attached Drought Contingency Plan as presented.

20. The Board then considered the attached Order Adopting Water Conservation Plan. Upon unanimous vote, the Board adopted the Water Conservation Plan as presented.

21. The Board discussed the status of the refunding bond issue. The bonds are scheduled to close in the next few days. The preliminary approval has been received by the attorney general. The Board again congratulated Debbie Shelton on a job well done.

22. Lori Aylett presented an attorney's report and the status of various projects undertaken on the District's behalf.

23. The was presented the attached Resolution Expressing Official Intent to Reimburse Costs of Certain Capital Improvements Projects. The attorney noted that pursuant to IRS regulations, if the District intends to reimburse itself with bond proceeds for expenditures made out of the general fund, the District must express its official intent to do so by resolution. Since the Board has been contemplating installation of parks structures with general funds and

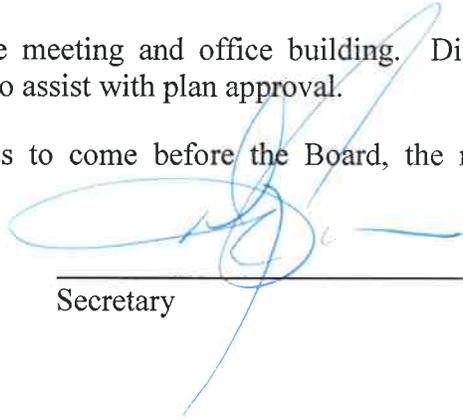
subsequent issuance of bonds for reimbursement, adoption of the resolution would be appropriate. Upon unanimous vote, the Board approved the resolution as presented.

24. The attorney presented two groundwater reduction contracts for the Board's consideration. Upon unanimous vote, the Board approved groundwater reduction contracts with Crane and Refuge Temple as presented.

25. The attorney gave a brief status report on the Water Supply and Groundwater Reduction Agreement with Harris County Municipal Utility District No. 525. They have not paid their second capital payment, and they have not paid any of the monthly take-or-pay water payments. Lori Aylett advised that her law partner, Taylor Goodall, met with a person who is interested in purchasing the property in MUD 525. Apparently the property is still being offered for sale, but no firm offer is in the works.

26. The Board discussed the meeting and office building. Director Hasse noted that he was still trying to find a architect to assist with plan approval.

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



Secretary