

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
March 25, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, March 25, 2015, 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
Jim Hembree, Director

and the following absent:

None.

Also present were Delia Yanez, Shirley McLennan, Delilah Arolfo, Ethan Springer, Jeremy Cochran, David Kasper, Brian Toldan, Kim Davila, 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 February 23 and February 25, 2015 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. There were no customer inquiries for the Board's consideration.

3. Shirley McLennan presented a bookkeeper's report, a copy of which is attached. The attorney recently received the tower site revenue check and gave it to the bookkeeper at the meeting. The Board discussed the variance in lift station electricity expenses. The operator and engineer attributed a lot of those variables to inflow and infiltration during rainfall events. The Board reviewed the bookkeeper's report in some detail. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of checks listed thereon.

4. Delia Yanez presented a tax assessor/collector's report, a copy of which is attached. 2014 taxes were 93.93% collected, while all prior years are over 99% collected. Two wire transfers were made, 11 checks were presented and one check was voided due to a misprint. The tax assessor stated her belief that Harris County Appraisal District intends to increase values throughout the county in 2015. The topic has been the subject of much discussion in the appraiser's office and in local news reports. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented and authorized payment of bills listed on the report.

5. Delilah Arolfo presented a billing and collections report. Total current payments were \$239,233.59, while total current billing was \$213,660.88. 30-day arrears stood at \$58,110.21, but as of today's meeting the arrears stand at \$21,011.36. There were 24 new connections in the District, of which 19 were owners and five were renters. Of those new connections, five were new homes, and 19 were pre-existing homes. Nine accounts were finalized, and there were 62 vacancies.

Ms. Arolfo presented a report on the usage patterns of customers. During the previous month 1,664 customers used the minimum amounts. 1,142 customers used 4,000 to 10,000 gallons. 100 customers used 10,000 to 20,000 gallons. Smaller numbers of customers used amounts in excess of 20,000 gallons.

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

6. The Board entertained developer reports. First, Ethan Springer of Villas reported that their lots are poured and staked. Model home construction will begin soon, and their developer is routing landscaping contracts for approval. Director Cox asked Mr. Springer about the buffer proposed for the rear of the property. Mr. Springer replied that a fence and plantings will be installed to shield the development from existing homes.

Eileen Fashoro then reported on the activities of Rampart. Section 8 has been replatted.

Finally, the attorney noted that she had received a telephone call from Nino Corbett. He is having lunch with a local banker to discuss project development and expects to be in attendance at next month's Board meeting.

7. The Board received reports from the Monday operations and engineering meeting and related matters. The engineer reported receipt of a request for a change order on the Seven Oaks South project. Silt fencing had to be added to the project because it was erroneously omitted. David Kasper noted that silt fencing was required and should have been in the contract. He therefore recommended approval of the change order to increase the contract amount by \$13,003.20. Upon unanimous vote, the Board approved and concurred with the change order request.

Jeremy Cochran noted that he and Director Hembree had gone to the Harris-Galveston Subsidence District and talked at length with Kevin Ebrom. The District is continuing to try to sell its ground water credits. The District may have an opportunity to sell 100 million gallons of credits to a single customer. Director Hembree noted that the Subsidence District had stated that the Board might want to consider participating in the Water Wise program to gain credits for the future.

The Board then discussed whether the District should continue selling credits at the same price. Director Hembree stated his opinion that the District's pricing should be increased. He asked that the Board put an item on the April agenda to consider adopting a new pricing structure of \$3 per 1,000 gallons for contracts from one to four years and \$2.60 per 1,000 gallons for contracts five years and above. The attorney stated that she would put the matter on

the agenda for the Board's consideration in April. In the meantime, it was the Board's concurrence to honor any ground water contracts if negotiations had already been underway.

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

8. Brian Toldan of McCall Gibson Swedlund Barfoot, PLLC presented an audit of the District's books and records for the fiscal year ended December 31, 2014. He noted that his firm was giving the District an unqualified "clean" opinion as to its financial statements. The District had general fund revenues of \$359,879 for the fiscal year, and the District has a general fund reserve of 6.4 months. Mr. Toldan noted that the District is consistent and conservative with its budget, and the Board is involved in the District's operations. He praised the Board members for being proactive and good stewards of the District's finances. The Board reviewed the audit in some detail. Upon unanimous vote, the Board approved the audit as presented and authorized its filing as required by law.

9. 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.

10. 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.

11. The attorney presented two ground water reduction credit contracts for the Board's consideration. Gayla Industries requested to purchase credits equal to 760,000 gallons of credit out of the District's 2016 permit, and Van Manor requested to purchase credits equal to 3 million gallons from the District's 2016 permit. Upon unanimous vote, the Board approved the two ground water reduction contracts as presented. Director Hembree requested that the attorney revise the ground water reduction contract chart to show due dates and payment amounts, for easier budget tracking.

12. The attorney asked the Board to defer consideration of the engagement of Arbitrage Compliance Specialists to perform the Series 2010 5th Year Arbitrage Report. She has not yet received their proposal. The Board deferred consideration of the agenda item.

13. Lori Aylett presented the attorney's report. During the previous month, she worked on ground water credit agreements and items relating to obtaining a peace officer bond for the temporary law enforcement personnel. The attorney noted that the Board had previously asked for an update on concealed carry laws as they relate to public meetings. She

noted that the legislature was in session and asked the Board to wait until the conclusion of the legislative session, so that the current state of the law could be ascertained. The Board concurred.

14. At 2:15 p.m. the Board convened in executive session pursuant to Texas Government Code Sections 551.074 and 551.076 to discuss personnel issues and security. At 2:45 p.m. the Board reconvened in regular session. Upon unanimous vote, the Board authorized payment to three law enforcement officers for supplemental law enforcement provided to the District parks during spring break and authorized the bookkeeper to send 1099's to the officers who were engaged.

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


Secretary