

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
April 22, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, April 22, 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, Andrea Martin, Mandy Guerra, Nino Corbett, Ethan Springer, Jeremy Cochran, David Kasper, Dewy Hughes, 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 March 23 and March 25, 2015 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The Board President entertained customer service inquiries regarding utility or other District services. Mr. Dewy Hughes addressed the Board and thanked them for their maintenance of the walking trail and paths. That said however, he advised the Board that there was a section of trail near the Flying Bridge Park that stays flooded. Mr. Hughes described the situation in some detail to the Board members. Director Scott noted that the directors were already aware of the situation, and a sump pump was installed as a reaction to the issue. The engineer will continue to review the area for potential solutions.

3. Shirley McLennan presented a bookkeeper's report, a copy of which is attached. The District has about six and one-half months of reserve in the general fund. She reviewed the bills and expenses in detail with the Board. The Board members discussed the ground water reduction contract revenues and which parties had paid and not paid. The attorney will revise the ground water credit contract chart for easy reference. Ms. McLennan introduced Mandy Guerra and stated that she would be attending meetings on behalf of McLennan and Associates in the future. Wilbert Ticzon will continue to provide bookkeeping services in the office, and Shirley McLennan will continue to supervise all activities to assure the District's

bookkeeping services remain of the highest quality. 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 95.69% collected, while all prior years are over 99% collected. Nine checks and two wire transfers were presented for the Board's review and approval. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented and authorized payment of bills listed on the report.

5. Andrea Martin presented a billing and collections report. Total current payments were \$234,796.81, while total current billing was \$215,072.99. 30-day arrears stood at \$50,982.32, but as of today's meeting the arrears stand at \$20,913.59. There were 42 new connections in the District, of which 36 were owners and six were renters. Of those new connections, six were new homes, and 36 were pre-existing homes. 21 accounts were finalized, and there were 66 vacancies.

Ms. Martin then presented a report on behalf of Aggressive Waste. Four yellow tags were issued for non-compliant household trash, and 16 yellow tags were issued for non-compliant heavy trash.

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

6. Ethan Springer presented a report on behalf of the Lennar development. In the Villas, forms are up for the model home and the sidewalk that will wrap around. A monument will also be built. In response to a question from a Board member about Lennar's home sales in Seven Oaks, Mr. Springer noted that they had sold six home there. Jeremy Cochran noted that there may be half a dozen lots left for construction in Seven Oaks North, but that section is largely built out.

Nino Corbett then addressed the Board regarding his development. He reported his plans to purchase 26.31 acres from Crosby ISD on the south side of North Diamondhead. He is also planning to purchase 2.4 acres on the north side of North Diamondhead, and this acreage is in the dormant district, Harris County MUD No. 19. Mr. Corbett noted that he would like to talk to the Board about extending agricultural exemptions for another year for the 110-acre tract on the east side, as he will begin development efforts on the 26 acres first. At next month's meeting, he will ask the Board to approve a developer financing agreement for the 26 acres and an extension of the agricultural waiver on his east side property. Mr. Corbett may also want to entertain further discussions about how to proceed with regard to the two-acre tract in Harris County MUD No. 19.

The attorney advised that she represented Harris County MUD No. 19, and that district has been dormant since it transferred functions of its central plant facilities to Newport MUD in 1998. There are no longer three qualified directors on its board, so a petition would have to be made to the TCEQ to appoint directors. The Board discussed the boundary of MUD 19 and the landowners located within those boundaries. The Board also briefly discussed the tax rate tests in its current preconstruction agreements and the terms of those agreements. The Board

instructed the attorney to place matters on the next agenda to respond to Mr. Corbett's request for action on his development.

7. The Board received reports from the Monday operations and engineering meeting and related matters. The engineer reported that the SCADA project has closed. The operator reported that he received a request for consent to encroachment at 17011 Larboard Court. After discussion, the Board noted that it would be appropriate to issue a consent to encroachment upon receipt of payment of \$300 from the requestor and receipt of evidence that CenterPoint has likewise granted the request.

Director Scott discussed parks and trails matters and suggested that the District form a two member committee to meet regularly with the engineer and operator to see what can be done to eliminate the drainage concerns expressed by the residents, vandalism concerns in the parks, and maintenance of the parks and trails. Directors Scott and Glazner expressed a willingness to serve on such a committee.

Discussion then turned to the installation of warning signs outside park bathrooms advising people that they are under surveillance. The Board discussed how video equipment should be installed to best protect the District's facilities and to avoid the risk that it will be vandalized. The District engineer and Board President will work together to come up with a proposal for installation of cameras at the Port O'Call Park.

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

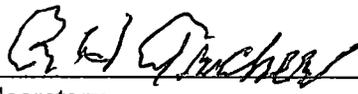
8. The attorney presented two ground water reduction credit contracts for the Board's consideration. Kingwood Christian Church requested 500,000 gallons per year for five years, while Kingsland Westgreen requested 1.7 million gallons for five years. There may be one other ground water reduction contract in the works pursuant to the old pricing structure. Upon unanimous vote, the Board approved the ground water reduction contracts presented by the attorney.

The Board next discussed the need to establish a new pricing structure for sale of credits and the procedure for sale of credits. Director Hembree suggested the following new pricing structure for all customers that do not currently have a ground water reduction credit contract with the District: one to five year contracts would be charged \$3 per 1,000 gallons. For contracts of more than five years, the District would charge \$2.60 per 1,000 gallons. In addition, the attorney suggested that the Board President be authorized to execute any contract immediately if credits are available, and execution of the contract would be reported at the next regularly scheduled Board meeting. Finally, the Board discussed the fact that all previously quoted pricing will be honored for those requests in progress. Upon unanimous vote, the Board approved the new pricing structure and procedures effective May 1, 2015.

9. The attorney presented a contract with Arbitrage Compliance Specialists to perform arbitrage rebate analysis on the Series 2005 bonds and the Series 2010 bonds. The Series 2005 bonds is a five year periodic review of \$2,450, while the Series 2010 bonds is a final

review of \$3,900. Upon unanimous vote, the Board approved engagement of Arbitrage Compliance Specialists pursuant to the terms presented in the two contracts.

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

  
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Secretary