

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
May 27, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, May 27, 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

and the following absent:

Jim Hembree, Director

Also present were Wilbert Ticzon, Shirley McLennan, Jeremy Cochran, Delia Yanez, Mandy Guerra, Eddie Rucker, Andrea Martin, Nino Corbett, Ethan Springer, David Kasper, Eileen Fashoro, Jerry Graham, 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 April 20, 2015 and April 22, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. There were no customer service inquiries.

3. Mandy Guerra presented a bookkeeper's report, a copy of which is attached. She reviewed the report in detail with the Board and introduced Wilbert Ticzon, who assists in providing bookkeeping services for the District. The bookkeeper was pleased to note that the District has six and one-half months of operating reserve. The District received payment for groundwater credits from Industrial Metal Finishing and Kingsland West Green. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills with checks listed thereon.

4. Delia Yanez presented a tax assessor/collector's report. 2014 taxes were 96.55% collected. Ten checks were presented for the Board's review and approval, and one wire transfer was made. The District has received preliminary values from the Harris County Appraisal District, and the District's initial taxable value is \$443,252,159, a 12% increase over last year's assessed value. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented and authorized payment of bills with checks listed thereon.

5. Andrea Martin gave the billing and collections report. Total current payments were \$231,722.49, while total current billing was \$230,953.05. The 30-day arrears for April stood at \$51,364.44, but as of today's meeting the arrears stand at \$14,431.49. There were 46 new connections in the District, of which 33 were owners and 13 were renters. Of those new connections, 12 were new homes, and 34 were pre-existing homes. 36 accounts were finalized, and there were 62 vacancies.

Ms. Martin then provided a report on behalf of the garbage collection company, Aggressive Waste. Two yellow tags were issued for non-compliant household trash, and 26 yellow tags were issued for non-compliant heavy trash. Director Cox noted that he had debris in his yard that was not picked up but was not tagged. Andrea Martin stated that she would check with the garbage contractor, although it appeared that his address was on the list of yellow-tagged homes. Director Cox confirmed that he could not locate a yellow tag, so he did not know why his trash was not picked up.

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

6. The Board entertained discussion on development reports. First, Ethan Springer addressed the Board regarding the Newport Villas project. One model is under construction, and there are three home starts. That developer is 90% complete with landscaping, and most of the sidewalk and monuments are done. They anticipate electricity will be installed within six weeks. He also reported on building activities in Seven Oaks South. The Seven Oaks South model is available to be toured, and rain has slowed down sales and development activities.

Eileen Fashoro then addressed the Board regarding Rampart's development. Rampart has a contract for sale of Newport, Section Eight with Lennar still pending, but there are some drainage issues that still need to be resolved. Rampart has also been negotiating with Rochester, but that project too has been delayed because of drainage issues. There needs to be coordination among the developers regarding drainage issues. In response to a question from the Board, Ms. Fashoro reported that the replatted Section 8 will contain 190 lots that range from 50 to 55 feet in width. The first phase of that development would be 58 lots.

Jerry Graham and Eddie Rucker of LJA Engineering then addressed the Board regarding 193 acres currently located outside the District. They are representing the owner of the tract. They reported that adjacent property owner Lakewood Development had granted easements necessary for development of the 193-acre tract. Mr. Graham requested that the Board consider a defined area plan or provision of out-of-District services by the District. He requested authorization to coordinate with the attorney and engineer so that LJA can make their own feasibility analysis for their client. The Board authorized Mr. Graham and Mr. Rucker to work with the District's attorney and engineer on a preliminary basis.

Nino Corbett then addressed the Board regarding his development. He noted that he was requesting that the Board enter into a Water, Sewer and Drainage Improvement Financing and Construction contract for a proposed new development on 24 acres in the boundaries of the District. The planned development includes 64 homes, along with seven acres

of frontage on FM 2100. The name of the development entity will be Newport Court, Ltd. Nino Corbett estimates that home values will be in the \$220,000 range on lots that are 50 feet by 125 feet. He also requested that the Board consider extending the deadline for implementation of the waiver of special appraisal on one of his remaining annexation tracts. He would like for that tract to continue to claim the agricultural exemption for the tax years 2015 and 2016. The attorney noted that the tax differential would be about \$2,800 per year for two years, if such waiver is extended at the developer's request. The developer indicated that he was willing to pay the legal fees associated with amending the waiver documents. Finally, Mr. Corbett stated that with the District's reimbursement formula, he was leaving approximately 40% of his reimbursement costs on the table. He stated that he would be keenly interested in any conversation relating to the formation of a defined area. Such arrangements could affect his lot pricing and could result in a competitive disadvantage.

7. The Board considered a Water, Sewer and Drainage Improvement Financing and Construction contract with Newport Court, Ltd. for 24 acres in the District. The attorney discussed the proposed agreement in detail with the Board members. She noted that the contract contained the same formulas and conditions applicable to other developers in the District and had a five-year term. After discussion, upon unanimous vote, the Board approved the contract as presented.

8. The Board considered the request from Newport Pointe, Ltd. for amendment to its annexation agreement, termination and revocation of 2015 waiver of special appraisal, and agreement for future waiver of special appraisals beginning in the 2017 tax year. Upon unanimous vote, the Board approved the amendment to the annexation agreement, the termination and revocation of the 2015 waiver of special appraisal as to one Newport Pointe tract, and agreement for waiver of special appraisal for that tract starting in the year 2017.

9. The attorney noted that she had put the request for reimbursement agreement and utility commitment from Rochester Enterprises on the agenda. However, that developer is still in feasibility and is not ready to bring their request forward to the Board. Accordingly, the Board tabled consideration of the request.

10. The Board discussed matters from the operations and engineering meeting previously conducted. The engineer is investigating the possibility of banking unused groundwater credits. He is discussing the matter with the Harris-Galveston Subsidence District.

The operator noted that the well motor at water plant no. 2 took a direct hit from lightning. The operator will file an insurance claim. At the Board's direction, the operator took the surface water plant off line for a few days due to the quality of the raw water being received from the SJRA. The operator is evaluating ways to expend surplus water, sewer and drainage bond funds for capital projects at the plants.

11. Lori Aylett presented an attorney's report. She drafted groundwater reduction contracts as requested by various customers. She also worked on the special appraisal waiver documents for Newport Pointe and responded to various inquiries from developers and potential developers.

12. Finally, the Board agreed to conduct the next parks meeting on Wednesday, June 17, 2015 at 8:00 a.m.

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


Secretary