

## NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

June 24, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, June 24, 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  
Dale Glazner, Assistant Secretary  
Jim Hembree, Director

and the following absent:

Robert Archer, Secretary.

Also present were Delilah Arolfo, Jeremy Cochran, Eileen Fashoro, Mrs. Wayne Scott, Eileen Evans, Judy Osborn, Delia Yanez, Andrea Martin, David Kasper, Justin Ring, John White, Taylor Goodall, Dan Webb, Chad Rochester, George Rochester, 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 May 20, 2015, May 26, 2015, and May 27, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. The Chair entertained customer service inquiries regarding utility or other District services. The Board President reminded those present that this agenda item provides an opportunity for citizens to comment on non-agenda items, and comments shall be limited to five minutes per person unless extended by the Chair.

Dan Webb addressed the Board first and stated that he wanted to discuss crime watch activities. It was his opinion that it would be appropriate to provide park opportunities for teenagers. He felt that a park for 12 to 19 year olds with concession stands staffed by volunteers would be good for the community and would bring the older children together in a single location for activities, so that they would not get into mischief. Director Scott asked if the committee had identified anyone to pay for construction of the facilities necessary to support this idea and whether land is available for donation to the cause. Director Cox noted that the District has no more bond proceeds available for parks, and Commission rules prohibit the use of bond proceeds for basketball courts. Maintenance of existing parks is very costly, and the District has completely committed all of its park budget to maintenance. In addition, the District is paying for the installation of cameras and motion detectors to try to catch vandals, who routinely destroy things in the park.

Director Scott informed those present that the District has authorize expenditures for installation of card access systems in the park bathrooms. Delilah Arolfo reminded those present to

call the number on the water bill if a problem is observed in the park that is not an emergency situation. 9-1-1 should be called if there is a crime in progress. If large numbers of kids are seen congregating but there is no emergency, the operator can direct field personnel to the area to provide eyes and ears. The kids usually scatter when field personnel arrive. Guests at the meeting thanked the Board for their efforts to bring beautiful parks to the Newport area.

3. Judy Osborn presented a bookkeeper's report, a copy of which is attached. As of today's meeting, the District has about 6.25 months of operating reserve. The Board reviewed the bookkeeper's report in detail. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills with checks listed thereon.

4. The Board reviewed the ethics letter and update by Investment Officer Shirley McLennan. The attorney noted that annually the Investment Officer is required to disclose whether she has any personal business relationships with any entities seeking to sell an investment to the District. Ms. McLennan indicated that she had personal business relationships to disclose as indicated on the report. Upon unanimous vote, the Board approved the Investment Officer disclosure as presented and authorized its filing with the Texas Ethics Commission and in the minutes of the District, as required by law.

The attorney then distributed a conflict of interest questionnaire. The Board members completed the questionnaires, noting no conflicts, and provided copies for the District's records.

5. Delia Yanez presented a tax assessor/collector's report. 2014 taxes were 97.17% collected. Six checks were presented for the Board's review and approval, and one wire transfer was made. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented and authorized payment of bills with checks listed thereon.

6. Andrea Martin presented a billing and collections report. Total current payments were \$251,017.93, while total current billing was \$225,310.29. The 30-day arrears for May stood at \$55,162.62, but as of today's meeting the arrears stand at \$16,759.57. There were 40 new connections in the District, of which 35 were owners and five were renters. Of those new connections, five were new homes, and 35 were pre-existing homes. 20 accounts were finalized, and there were 62 vacancies.

Ms. Martin then provided a report on behalf of Aggressive Waste. Four yellow tags were issued for non-compliant household trash, and 14 yellow tags were issued for non-compliant heavy trash. The District's trash collector received a complement regarding service above and beyond the normal standard to an elderly couple in Newport. The Board commended Aggressive Waste and noted it was nice for the District to receive complements.

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

7. The Chair entertained developers' reports. First, Eileen Fashoro reported on behalf of Rampart. In Section 8, Lennar is still working on detention issues. Ms. Fashoro brought copies of the re-platted Section 8, which is still under contract. The District engineer requested a CAD map of Section 8. Ms. Fashoro also reported that 11 acres on the canal is being evaluated by potential purchaser Lennar for development of duplexes. Another 9-acre reserve at the corner of County Club and Golf Club is under contract with Dunhill Builders, and they are planning half-acre

lots. 15 acres is under contract to Rochester Enterprises, and they are also trying to work out detention and drainage issues in coordination with the Section 8 developer.

Nino Corbett was not present at the meeting and there was nothing new to report on behalf of his development.

8. The Board considered a request from Harris County MUD 525 for participation in the District's groundwater reduction plan. Taylor Goodall of Smith, Murdaugh, Little & Bonham briefly introduced himself and noted that as the law firm represents both clients and has a conflict of interest, he was going to turn the presentation over to the developer to make directly. Mr. John White of Madison Development addressed the Board regarding his planned development north of Foley Road. Mr. White previously worked for DR Horton and has land under contract in Harris County MUD 525, which is a MUD that has not yet been confirmed by election. The developer is suppose to close on the property by July 31, 2015. The developer was negotiating diligently with the City of Houston regarding exclusion of that property from the City's boundaries and issuance of a sewage treatment plant permit. At the last minute, the City of Houston indicated that they would not let MUD 525 join their groundwater reduction plan and insisted that they find a GRP partner. MUD 525 would like an "agreement to agree" with Newport so that they can begin long term strategic planning and get their MUD created and confirmed with the City of Houston's consent. Mr. White stated that the MUD 525 wants a long term relationship with Newport. In Phase 1 of MUD 525's development, a water well is planned. A supply line could be considered for surface water in 2025 when the next Subsidence District conversion milestone occurs. Mr. White stated that he was willing to share all consultant costs in evaluating the proposals. Their plan to enter into the District's GRP would reduce the District's operational and capital costs. Justin Ring, the engineer for MUD 525, noted that the District has already incurred costs to build surface water treatment facilities and is therefore well positioned to make money from this investment. The developer confirmed that they are also negotiating with the North Harris County Regional Water Authority, in case the District cannot accommodate their request. If neither option works, they will meet again with the Subsidence District in attempt to form their own GRP. The Board thanked the developers for their presentation and requested that they exit the room to allow the Board to discuss the matter further, since the developers indicated that they were trying to get an answer at today's meeting.

After the developers and their consultants exited the meeting, the Board discussed the matter in some detail. David Kasper outlined some proposed terms and conditions for a letter of intent with MUD 525. The letter will contain a limitation on liability in case the parties cannot agree. The letter will also advise the developer that the cost of water production is quite expensive, and Newport will insist that MUD 525 pay rates that make the deal advantageous to Newport MUD. After a full discussion, the Board asked the developers and their consultants to return to the meeting. Upon unanimous vote, the Board authorized the District engineer to send a letter of intent to MUD 525 outlining general key points under which the District would consider negotiation for MUD 525's participation in Newport's GRP. The developers thanked the Board for their consideration.

9. The Board considered a request for a reimbursement agreement and utility agreement from Rochester Enterprises, LLC. Chad and George Rochester introduced themselves to the Board of Directors and noted that they have a 15-acre tract under contract from Rampart. They want to develop the tract into a residential subdivision and would like a utility commitment for 74

homes. In addition, the developers would like a standard reimbursement agreement. Finally, Rochester would like the Board to consider a resolution regarding reimbursement to future developers or landowners for a line that will have to be constructed by Rochester Enterprises. The attorney noted that she had drafted such policies for other districts from time to time, but it was not a common occurrence. Because Rochester is likely to get less than 100% of its costs reimbursed, it is looking for reimbursement from other developers or landowners who may connect to facilities constructed by Rochester on behalf of the District. The Board noted that it would not be appropriate to take action on that request at this time since it was not on the agenda. The Board requested that the attorney place that item on a future agenda for discussion. Upon unanimous vote, the Board approved the utility commitment for 74 homes and authorized the attorney to draft a reimbursement agreement using standard District formulas and terms.

10. The Board discussed matters from the operations and engineering meeting previously conducted. The engineer presented a proposed Change Order No. 1 to the Villas of Newport contract, which decreased the water, sewer and drainage construction by \$6,000. This change order replaces previously presented Change Orders No. 1 and No. 2, which were never executed by the owner. Upon unanimous vote, the Board approved Change Order No. 1, subject to receiving the returned unsigned Change Orders No. 1 and No. 2, which were signed by the Board of Directors but not signed by the owner.

The operator noted that they have ordered key fobs, cameras, and related equipment for the parks. The maintenance agreement will be routed for signature, as it was previously approved. The splash pad button was hit with rocks and needs to be replaced again, at a cost of approximately \$1,000.

Finally, the Board reviewed the Consumer Confidence Report for 2014 and authorized it to be placed on the District's website and distributed via URL address.

11. Ms. Aylett then requested authorization for her firm to work with the operator to compile and submit to CenterPoint Energy the information required to comply with the emergency operations and critical load status for District facilities. This report will register with CenterPoint Energy and other emergency operations agencies the District's critical water and wastewater infrastructure, and those facilities will be given priority for restoration of service after a hurricane or other disaster. In addition, the attorney will submit contact information to emergency operations agencies for the County and the State, as required by law. The Board authorized the attorney and operator to submit the critical load report and emergency operation information on the District's behalf.

12. Lori Aylett gave a brief attorney's report. During the month she worked on the MUD 525 proposal and handled land inquiries from several developers.

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

  
Secretary