

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

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, July 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 Mandi Guerra, Brandon Smith, Andrea Martin, Delia Yanez, Jeremy Cochran, Greg Katt, David Kasper, Ethan Springer, Dan Webb, Eileen Fashoro, Nino Corbett, Margaret Chasteen, 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 June 17, 2015, June 22, 2015, and June 24, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.
2. There were no customer inquiries for the Board's consideration.
3. The Board received a crime watch committee report from Dan Webb. He reported that he walks the District park trails every day and he commended the operator for the way the trails are maintained. The crime watch committee is reviewing the trails periodically and at different times, and any incidents of criminal mischief are reported immediately. The crime watch committee was pleased to report that the contract deputies engaged by NPOA are beginning to get on the trails. The Board President confirmed that the District is going to install motion sensor lights in the pavilion areas, where some incidents of vandalism have been occurring. The Board President stated that the District wants to work with the crime watch committee on the District's parks and trails facilities. The President thanked them for their efforts in keeping the facilities in excellent condition and using community awareness to curb crime.
4. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. The Board reviewed the budget in some detail. Director Cox inquired about the Verizon invoice and whether the District was paying for a data line from Water Plant No. 1 to

Water Plant No. 2 which has been disconnected. The District operator confirmed that he had checked that matter with Wilbert Ticzon, and the appropriate credit was given to the District. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills with checks listed thereon.

5. Delia Yanez presented a tax assessor/collector's report. 2014 taxes were 97.73% collected. Eight checks 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 with checks listed thereon.

6. Andrea Martin presented a billing and collections report. Total current payments were \$241,742.37, while total current billing was \$228,182.45. Deposits in-house were \$380,591.50. The 30-day arrears for June stood at \$55,679.07, but as of today's meeting the arrears stand at \$16,480.35. There were 34 new connections in the District, of which 25 were owners and nine were renters. Of those new connections, four were new homes, and 30 were pre-existing homes. 24 accounts were finalized, and there were 72 vacancies.

Ms. Martin then provided a report on behalf of Aggressive Waste. Four yellow tags were issued for non-compliant household trash, and 22 yellow tags were issued for non-compliant heavy trash.

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

7. The Chair entertained developers' reports. First, Ethan Springer reported on the activities of Lennar. They have reported seven sales thus far, and three are pending during the month of July. Some of those sales were in Seven Oaks South and some were in the Villas development. Mr. Springer confirmed that Seven Oaks South now has power, and the Villas is anticipated to have power by next week. He also reported that he requested a reimbursement agreement for Section 8, which Lennar has under contract from Rampart. That item is on the agenda for discussion later in the meeting.

Nino Corbett reported on the activities of Newport Point and Newport Court. LJA is doing design work for Newport Court, and they are currently preparing cost estimates. He is looking at the costs to get to the east side of FM 2100.

Greg Katt addressed the Board and stated that he was with Dunhill Builders, LLC dba DH Homes, and they are looking at developing 16 half-acre lots on a tract to be purchased from Rampart. He requested that the Board consider a preconstruction agreement with his company at their next meeting. He is hopeful that homes will be on the ground in February, 2016. In response to a question from the Board, he confirmed that the property is currently platted as an unrestricted reserve, and that developer will re-plat. The Board instructed the attorney to place the appropriate items on the next business agenda.

Eileen Fashoro confirmed that Rampart has 11 acres under contract with Lennar, and they are planning more duplexes.

8. The Board discussed a groundwater reduction plan, contracts and pricing structure. The Board reviewed water production numbers in some detail. Director Hembree proposed that effective July 25, 2015, the Board should begin charging \$3.39 per 1,000 gallons for GRP contracts, with an annual adjustment to be made on March 1. The adjustment would be based upon the annual Houston area Consumer Price Index for all urban customers. The District should also include a charge to recover attorney's fees for preparation of the agreement with each customer. The Board discussed the proposal in detail, and upon unanimous vote, the proposal was approved as presented.

9. The Board discussed matters from the operations and engineering meeting previously conducted. The engineer reviewed Change Order No. 2 to the Villas of Newport contract. The change order changes quantities and closes out the contract. Upon unanimous vote, the Board approved Change Order No. 2 as presented.

The operator reported that the splash pad button has arrived and will soon be installed. The Board then reviewed surface water treatment plant laboratory building improvements, which are slated for payment from surplus construction funds. Each quotation for contractors and materials for the project was less than \$25,000, and the total project cost is less than \$50,000. The attorney confirmed that the District will not be required to solicit bids or advertise for bids under those conditions.

10. There was presented a Water, Sewer and Drainage Improvement and Financing Construction Contract with Rochester Enterprises, LLC. The attorney confirmed that she drafted this contract using the same terms, conditions, and reimbursement tests that have been given to other developers. The contract term is five years. Upon unanimous vote, the Board voted to approve the contract as presented.

11. There was presented a Water, Sewer and Drainage Improvement and Financing Construction Contract with Lennar Homes of Texas Land and Construction, Ltd. d/b/a Friendswood Development Company. The attorney confirmed that she drafted this contract using the same terms, conditions, and reimbursement tests that have been given to other developers. The contract term is five years. Upon unanimous vote, the Board voted to approve the contract as presented.

Director Hembree noted that the District needs to be aware of the amount of utility costs it is authorizing under the various preconstruction agreements. He reminded the Board that when the District went to the voters during the bond election, voters were told that the District had allocated approximately \$12 million for developer projects, and the remainder of the voted authority would be used for central plant projects. Another bond election may be necessary to support future development or District projects. The attorney confirmed that the engineering plan in the bond election documents does not constitute a contract with voters. The District can decide to allocate the funds differently than was initially proposed, but she noted that Director Hembree's point was well taken.

The Board had a general discussion with the developers on the importance of reimbursement to them. Each developer confirmed that reimbursement was vital to the success of

their development program. In addition, Nino Corbett pointed out that his development will have to do costly detention, which is already in place in some areas of Newport.

12. The Board discussed a proposed Resolution providing for payment by subsequent property owners or future developers requesting connection to the District's system to reimburse their pro-rata share of certain expenses. The attorney noted that Rochester Enterprises had requested that this item be placed on the agenda because the location of their development will require them to construct lines that may be able to be used by third parties. Rochester pointed out that if they were not fully reimbursed from the proceeds of District bonds, they would like the District to consider requiring third parties to reimburse Rochester before connecting to lines constructed by Rochester and dedicated to the District. The Board discussed the pros and cons of the third party reimbursement in some detail. After a full discussion, upon a vote of four to zero, with Director Cox abstaining, the Board voted to reject a Resolution to provide third party reimbursement to developers.

13. Lori Aylett presented an attorney's report. She reported that MUD 525 had sent an application to the City of Houston for consent to its creation. The letter written by District engineer David Kasper was used as an exhibit to support MUD 525's plans for groundwater reduction. In addition, the attorney reported that she took a call from a real estate agent who discussed potential development on the Dow tract, which is located in adjacent Harris County MUD 19. The tract is proposed for development as an industrial training center with small hotel or dormitory style rooms. The attorney provided that developer information regarding Newport's tax rate and other related general information.

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


Secretary