

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
August 26, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, August 26, 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, Andrea Martin, Delia Yanez, Jeremy Cochran, Greg Katt, David Kasper, Ethan Springer, Eileen Fashoro, 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 July 15, 2015, July 20, 2015, and July 22, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes of July 15, 2015 were approved as presented. Upon unanimous vote, the minutes of July 20, 2015 and July 22, 2015 were approved as corrected.

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

3. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. She reported that the District received some insurance proceeds for a claim for damages due to a lightening strike on a pump motor. In addition, the District received the base rent for the tower site rental. In accordance with previous approval by the Board, the bookkeeper paid invoices for construction of the laboratory expansion at the surface water treatment plant from surplus capital projects funds. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed thereon.

4. Delia Yanez presented a tax assessor/collector's report. 2014 taxes were 98.08% collected. Eight checks were presented for the Board's review and approval. The tax assessor very recently received certified values from the Harris County Appraisal District. The District has certified values of \$382,291,642 and uncertified value at owner's opinion of \$58,656,890. Therefore, the District's total appraised value will be approximately \$441 million. The District's financial advisor is anticipated to attend the next meeting to recommend a 2015

tax rate. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

5. Andrea Martin presented a billing and collections report. Total current payments were \$271,045.28, while total current billing was \$288,809.49. The 30-day arrears for July stood at \$64,742.90. There were 59 new connections in the District, of which 43 were owners and 16 were renters. Of those new connections, 13 were new homes, and 30 were pre-existing homes. 35 accounts were finalized, and there were 64 vacancies.

Ms. Martin then provided a report on behalf of Aggressive Waste. Five yellow tags were issued for non-compliant household trash, and 28 yellow tags were issued for non-compliant heavy trash.

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

6. The Board President entertained reports on the status of various development projects. Ethan Springer reported on behalf of Lennar's activities. Eight homes in the Villas have been sold year to date, and 22 units are being constructed. Another section of townhomes is in the planning phase. The developer received bids for detention clearing and grubbing, and water, sewer and drainage for Section 8 and is currently reviewing the project.

Greg Katt of Dunhill then addressed the Board and stated that he closed on the purchase of 10 acres on which his company plans to develop 16 half-acre lots. One snag that his group encountered is that Golf Club Drive is considered a major thoroughfare according to the old plans, and this required some additional planning with regard to the plat development. This developer is planning homes from 2,500 to 3,000 square feet in the price range of \$275,000 to \$325,000.

Eileen Fashoro then addressed the Board and reiterated that they had closed on the sale of the 10 acres to Greg Katt of Dunhill. Ms. Fashoro reported that Rampart is pleased with the low density development that is planned on that tract.

Ms. Fashoro reported that Lennar is moving forward with their plans for development of Section 8. Their detention plan has been formulated now, and it will provide a buffer from the apartments that have already been constructed.

The attorney noted that Rochester Development had contacted her and stated that they were purchasing an additional 2.5 acres so that more detention could be provided on their adjacent 15-acre tract. They are not anticipating that they will need an increase in their utility commitment allotment, but will need to amend their preconstruction contract to add this acreage to the development.

7. The Board considered amendments to the preconstruction contract and utility commitment with Rochester Development. As the attorney previously reported, Rochester purchased an adjacent tract to their existing tract. The attorney requested the Board's authorization to amend the preconstruction contract by substituting the exhibit to show the new total acreage. Likewise, the attorney would like to amend the utility commitment letter to show

the increased acreage. Upon unanimous vote, the Board authorized the amendments as requested by the attorney.

8. The Board reviewed actions from the operations and engineering meeting. The engineer noted that Section 8 bids were taken by LJA, and the bids came in close to that engineer's estimate. The District engineer has not yet had an opportunity to review the plans because they were only recently sent to him. Mr. Kasper noted that the plan set included taps, which are made by the operator and will need to be removed from the bid package. The Board discussed the bid package in detail. Upon unanimous vote, the Board authorized developer's award of the contract to the low bidder, subject to the engineer's and operator's review of the plans, specifications and bid specs. The engineer noted that if there are any questions that need Board attention, a special meeting will be called.

The engineer noted that he was finalizing the bond application cost summary and report. It appears that the District's bond issue will be in the neighborhood of \$3,710,000.

The engineer noted that he and the operator would want to keep the detention ponds on the District's radar screen. The detention pond will require an annual storm water quality permit and a renewal, and the District will need to add maintenance of the ponds to its budget.

Jeremy Cochran then reported on the status of operations and park activities. He reported that the proposed key fobs at the restrooms in the parks would require a particular telecommunications specification and a static IP address. The cost of the required items is \$132.75 per month, with a \$199 installation charge. The Board discussed the proposal in some detail. After discussion, the Board authorized Director Cox and Jeremy Cochran to review the matter in more detail and make a decision in the best interest of the District.

The operator then reported on discussions with the homebuilder on Jib Ct. The homebuilder at that location was trying to install a grinder pump to avoid raising the lot elevation to get the necessary fall in the line. It was the operator's recommendation that the grinder pump should be avoided if at all possible, because the pumps become a maintenance issue for the homeowner and a corresponding problem for the District. According to the District's sewer regulations, grinder pumps are to be used only when absolutely necessary. In this case, the builder has another option, raising the lot elevation, and has been notified to do so by the operator.

The operator reported on the removal of a customer's driveway on Jib Ct. to install a tap to a neighboring builder. When the operator returned to replace the driveway, the homeowner did not agree with the proposed relocation of the driveway. The homeowner is obtaining a survey to determine the property line, and the two property owners will attempt to work out their differences.

9. Lori Aylett gave an attorney's report. Neighboring HCMUD 525 is proceeding with its application for City of Houston consent and approval for creation. The District will soon begin negotiations regarding a groundwater reduction agreement with that district.

The attorney sent water termination letters to various delinquent taxpayers in the District. Taxpayers will be given until after the date of the next Board meeting to pay before termination procedures are commenced.

10. The attorney reported on the status of electricity contract negotiations. Director Hembree acted on the Board's behalf in executing a new contract for electricity service with Champion Energy while rates were at a 14 year low. The District obtained a kilowatt hour price of \$0.04415 and the contract term will be 24 months. The Board commended Director Hembree on his actions to secure favorable pricing on the District's behalf and ratified such actions. Upon unanimous vote, the Board further authorized Director Hembree to secure future energy contracts on behalf of the District, if pricing so warranted.

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


Secretary