

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
October 28, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, October 28, 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 Margaret Chasteen, Delilah Arolfo, Jeremy Cochran, Andrea Martin, Brandon Smith, Delia Yanez, Mandi Guerra, 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 September 16, 2015, September 21, 2015, and September 23, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Margaret Chasteen gave a brief report on the activities of the Crime Watch Committee. There was an armed robbery Newport. The NPOA is trying to make sure that the law enforcement patrols happen at varied hours, so that criminals cannot anticipate when there will be supplemental law enforcement coverage in the District. The NPOA plans to talk to the SJRA about securing the entry to their canal.

3. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. Director Hembree noted that some of the lab installation invoices should have been paid from surplus construction funds in accordance with the Board's previous approval. The bookkeeper will make a note to transfer funds as necessary. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed on the report.

4. Delia Yanez presented a tax assessor/collector's report. 2014 taxes were 98.77% collected. 12 checks were presented for the Board's review and approval, and one wire transfer was made.

The attorney presented a list of delinquent taxpayers who are being proposed for water termination. The Board authorized water termination on the accounts, with the exception of the account listed at No. 9 and the account list at No. 27. Individual directors will follow-up with the customers on those two accounts. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

5. There were no developers present to give developers' reports.

6. The Chair noted that one purpose of the meeting was to conduct a public hearing on the proposed 2015 tax rate. The tax assessor/collector confirmed publication of the proposed rate of \$0.635, down \$0.005 from last year's total rate. The Chair opened the floor for public comments, and one resident expressed appreciation that the tax was going to be reduced. There were no further comments, and the Chair closed the public hearing.

7. There was presented the attached Order Setting Tax Rate, Approving Tax Roll, and Levying Debt Service Tax and Maintenance and Operations Tax for the Year 2015. Adopting Appraisal Roll and Levying Tax for 2015. Upon unanimous vote, the Board adopted the order as presented, which order levies a maintenance and operations tax rate of \$0.30 per \$100 assessed valuation and a debt service tax rate of \$0.335 per \$100 assessed valuation for a total combined tax levy of \$0.635 per \$100 assessed valuation for the 2015 tax year.

8. There was then presented the attached Amendment to Statement of Directors Furnishing Information Required by Section 49.455(b), Texas Water Code, as Amended. The attorney noted that the Amendment to Statement of Directors is filed in the real property records of Harris County and informs property owners in the District that they are located in a water district and what the current tax rate is. Upon motion duly made, seconded and unanimously carried, the Board voted to adopt the amendment as presented, authorized its execution by all directors present, and authorized the attorney to file the document as required by law.

9. The Board briefly discussed consultant contract amendments. In conjunction with preparation of the annual budget, the Board asked consultants whether amendments to their current contracts would be anticipated. The operator will request an amendment to their rates and charges to account for CPI increases. All other consultants anticipate that they will not need a contract amendment. The attorney will place an item on the next agenda to discuss amendment of the operator's contract.

10. The Board considered customer inquiries regarding utility or other District services. The operator noted that she had no inquiries to present. Ms. Chasteen commended the Board President on the presentation made at last month's meeting. She stated that it had answered many questions for residents and had quieted the complaints on Nextdoor Newport.

11. The Board deferred consideration of the preliminary budget for the fiscal year ending December 31, 2016. Director Hembree anticipates having a draft budget for the Board's discussion at the Monday meeting in November.

12. Andrea Martin presented a billing and collections report. Total current payments were \$314,098.47, while total current billing was \$239,346.73. The 30-day arrears for September stood at \$72,417.30, but currently they stand at \$10,065.15. There were 44 new connections in the District, of which 33 were owners and 11 were renters. Of those new connections, 10 were new homes, and 34 were pre-existing homes. 21 accounts were finalized, and there were 67 vacancies.

Ms. Martin then provided a report on behalf of Aggressive Waste. Five yellow tags were issued for non-compliant household trash, and 12 yellow tags were issued for non-compliant heavy trash.

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

13. The Board reviewed actions from the operations and engineering meeting. The engineer noted that he had received another request for the District to maintain a detention pond in Newport Court. The subdivision will be 68 lots with a four to five acre detention pond. After discussion, upon unanimous vote, the Board approved the execution of correspondence to Harris County agreeing to maintain the detention pond to be constructed for Newport Court. Director Hembree noted that he would add a separate budget item for detention pond maintenance, as the District is adding several ponds.

The engineer continues to work on the bond application report. The Board agreed to add \$700,000 to the cost summary for the water meter replacement program. The program will be a District project.

The operator reported that the Country Club had submitted information indicating that they proposed to install a gray water system for a sink in the club building. It will not connect to District facilities, and plans were provided for District information only.

14. The Board deferred consideration of an Order Approving Bond Application Report. The engineer continues to work on the report, but it is not yet ready for the Board's review and approval.

15. The Board noted that it was time to renew the permit for the Seven Oaks detention pond storm water quality feature. Upon unanimous vote, the Board authorized the engineer to complete the renewal application by the deadline.

16. Lori Aylett presented an attorney's report. She reviewed a request from New Orleans Cold Storage for a groundwater reduction contract. The engineer and operator confirmed that groundwater credits were available for sale, and the attorney confirmed that the Board's agreed-upon price was \$3.39 per 1,000 plus attorney's fees for a one year contract. For contracts of more than one year, a CPI increase will be applied. The customer requested 7.8 million gallons. The Board approved the contract under the pre-approved terms and conditions.

The attorney also reported that a developer had approached her and the engineer regarding the dissolution of neighboring dormant Harris County MUD No. 19 and annexation of the land into Newport MUD. The developer plans to attend the District's November meeting to discuss the matter in more detail. The attorney also noted that neighboring Harris County MUD No. 525 is in the process of being confirmed through an election.

17. The Board next discussed a bill of sale and assignment of groundwater agreement for golf course irrigation. The attorney reported that she received a copy of the proposed Bill of Sale and Assignment from Rampart Holding, L.P. and Newport Golf Club Partners, Ltd. to the New Property Owners Association of Newport. This document was presented in conjunction with the proposed sale of the Newport Country Club and golf course to the NPOA. This is currently in the negotiation and due diligence phase. The bill of sale and assignment document appears to assign rights to the water to the NPOA while Rampart Holding retains some of the rights under the contract. It appears that the duties to maintain the pumping station and distribution facilities remain with Rampart. The Board noted that there had been a lack of clarity in recent years about responsibility for maintenance of the distribution line and pumping station. The situation was likely to remain unclear with the present assignment. The original agreements do not require Newport MUD's consent for the assignment, so the Board took no action. The Board did authorize the District operator to meet with the NPOA to evaluate the condition of the pump station, distribution

line and related facilities. The Board authorized the attorney to communicate with a representative of the NPOA regarding the status of the various agreements and amendments.

18. The attorney presented Waiver of Special Appraisal documents whereby Lennar waived its right to special appraisal for the land it owns in the District at Villas of Newport and Newport, Section 8, and Newport Seven Land waived its right to special appraisal with regard to the Seven Oaks developments. These waivers are required by TCEQ rules and must be submitted in conjunction with the District's upcoming bond application. Upon unanimous vote, the Board approved the waivers of special appraisal as presented.

19. Lori Aylett presented proposed changes to the District's Order Establishing Code of Ethics, Policies and Procedures for District Financial Affairs and Management. The attorney noted that during the last Texas legislative session, the law regarding disclosures of potential conflicts of interest was amended. The law became effective September 1, 2015 and will now require disclosure of family relationships between local government officers and vendors. The law also decreases the value of gifts a vendor may give to a local government officer without triggering a disclosure requirement to \$100, down from \$250. The law now provides that the only gifts that may be accepted by a local government official without triggering an obligation to file a conflicts disclosure statement are political contributions and food accepted as a guest. In other words, lodging, transportation and entertainment accepted as a guest are no longer exempt and are now required to be disclosed. Finally, the law expands the definition of local government officer to include agents. An agent is anyone who exercises discretion in the planning, recommending, selecting or contracting of a vendor. Agents include employees and can include consultants. After a full discussion, upon unanimous vote, the Board adopted the attached Order Establishing Code of Ethics, Policies and Procedures for District Financial Affairs and Management.

20. The attorney presented Director / Agent Conflict of Interest questionnaires to each of the directors. The directors completed the questionnaires, noting no conflicts.

21. The Board noted that due to the holiday season, November and December meetings would be moved up by one week.

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


Secretary