

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
November 18, 2015

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, November 18, 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 David Kasper, Mandi Guerra, Donna Bryant, Andrea Martin, Jeremy Cochran, Brandon Smith, Stacey Beard, Daniel Robinson, Joseph Giacin, Kenneth Welden, Calvin Coatsworth, David Prickett, Margarette Chasteen, Delilah Arolfo, 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 October 21, October 26 and October 28, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. The District has nearly six months of operating reserves in its general fund. There was an unusually large invoice for water plant no. 2 electricity. The operator and electricity consultant are reviewing to see if an error has been made. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed on the report.

3. Donna Bryant presented a tax assessor/collector's report. 2014 taxes were 99.01% collected, and all prior years were over 99% collected. Four checks were presented for the Board's review and approval.

Ms. Bryant presented a proposed Depository Pledge Agreement. Effective in 2016, the District's depository bank, Wells Fargo, will be changing its third party custodian to Bank of New York Mellon Trust. The attorney noted that she had reviewed the proposed Depository Pledge Agreement and recommended its approval. Upon unanimous vote, the Board approved the Depository Pledge Agreement with Wells Fargo and third party custodian Bank of New York Mellon Trust as presented.

Finally, the Board was pleased to note that according to the estimate of value received from the Appraisal District, the District has grown approximately \$50,000,000 from January 1 to October 1. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

4. The Board discussed a possible annexation and utility agreement for an international training and conference center for the International Union of Operating Engineers. The proposed new owner is requesting that the District annex and provide utility service to 165 acres currently in dormant Harris County Municipal Utility District 19 and approximately 60 acres at Foley Road not currently in a water district. Joe Giacini of the International Union of Operating Engineers gave an initial report to the Board of Directors. He stated that the International Union of Operating Engineers has been looking to build an international training center for its workers. The union has been approached many times by the petrochemical industry and told that the industry does not have enough skilled workers. The union has spent 18 months to two years trying to find the right spot before settling on the tract adjacent to Newport MUD. Advantages for the Newport area would be the addition of 60 to 80 full-time jobs and a world class training center. There would be approximately 200 construction jobs while the center is being built. The union anticipates using Bellows as the local building contractor. The union is very involved in the community and would be a good neighbor.

In response to questions from the Board, the developers noted that Harris County was requiring the extension of Golf Club Drive as a part of their master thoroughfare plan. There will be heavy equipment on the site and pipework. During the training exercises, colored water is used to simulate oil so that there will not be any chance of environmental contamination. Work and training is only done during daylight hours. The main administration building will contain kitchens, a small museum, and a central plant area with teaching areas.

The architect explained the configuration of the buildings on the campus. There will be 150 single-occupancy dorm rooms. There will be onsite privately maintained detention ponds.

David Kasper confirmed that the project would utilize approximately 130 equivalent single-family connections. Public facilities to be constructed that would be the subject of a reimbursement agreement include a central lift station, a force main, and a water line. The estimated cost of the utilities to be constructed is \$1.6 million. Construction costs to build the facilities will be in excess of \$50 million. According to the District's financial advisor, if the value of the improvements as assessed by the Harris County Appraisal District is at least \$27 million, the developer could be reimbursed 100%. The Board discussed the project in much detail. It was a consensus of the Board that the project would be of a benefit to the community. The attorney provided annexation costs to the developer. The union members noted that the current landowners are willing to cooperate in executing any necessary petitions. The engineer will need a survey and metes and bounds descriptions of the annexation tract. After a full discussion, upon unanimous vote, the Board authorized the attorney to draft an annexation and utility agreement with the International Union of Operating Engineers and to begin drafting MUD 19 dissolution and Newport annexation documentation as soon as possible.

5. The Board reviewed customer service inquiries. Stacey Beard addressed the Board and stated that she had lived in a neighborhood since 1978. She expressed her displeasure

with the Saturday morning garbage pickup. She noted that a lot of people were home that day, and it creates traffic difficulties with the garbage trucks coming in and out of the neighborhood. She was aware that the cost was cheaper, but she wished that were not the only consideration. She also wished that the District used larger trash cans. The Board thanked her for her concerns and noted that they would take them under advisement at the time the contract renewal is considered.

6. The Board received developers' reports. Nino Corbett reported that bids for Newport Court will be opened before the December meeting. Mr. Corbett has a tract of land that should be annexed into the District at the same the union tract is annexed. Accordingly, he will provide a \$15,000 deposit for the annexation costs.

7. Margarete Chasteen briefly reported on the activities of the Property Owners Association. They are under contract to purchase the golf course and country club. She stated that the Property Owners Association took action to prevent the golf course and country club from being developed as single-family homes.

8. The Board noted that the operator contract amendment was approved at the Monday engineering and operations meeting.

9. The Board briefly discussed the preliminary budget for the fiscal year ending December 31, 2016. Mr. Hembree is still performing final analysis of the budget and expects to have it ready for the Board's approval at the December business meeting.

10. The Board noted that they approved rate order amendments at the Monday operations and engineering meeting.

11. Andrea Martin presented a billing and collections report. Total current payments were \$279,816.22, while total current billing was \$267,758.57. The 30-day arrears were \$53,357.90 at the end of October, and as of today's meeting they were at \$22,755.48. There were 51 new connections in the District, of which 44 were owners and 7 were renters. Of those new connections, 11 were new homes, and 40 were pre-existing homes. 19 accounts were finalized, and there were 57 vacancies.

Ms. Martin then presented a report on behalf of Aggressive Waste. There was one yellow tag issued for non-compliant household trash, and 8 yellow tags were issued for non-compliant heavy trash.

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

12. The Board received a report from the operations and engineering meeting. The engineer continues to work on the cost summary and bond application report. The bond application is currently at about 85% complete, and the current estimated issue price is \$4,850,000. Included in the cost summary will be a turnkey price for installation of a new meter system.

Discussion then turned to parks and operational matters. There are still some training glitches on implementation of the key fob program in the parks. The operator may have to enter the information three times for all three parks. In addition, the operator will have to replace

the locks because the key fob bypasses them. There was a lengthy discussion regarding use of the key fobs and the learning curve that will go with the implementation of them.

13. The Board discussed renewal of the District's insurance policies. The attorney noted that she had solicited competitive proposals on the District's behalf because the renewal prices from AquaSurance have continued to climb, and there are other options in the market. AquaSurance's renewal proposal was \$44,342, which was an increase of \$1,946 over last year's cost. The attorney solicited a competitive proposal from Arthur Gallagher Co., who proposed a total cost of \$34,889. There are some differences in deductibles and coverage. The Arthur Gallagher proposal provides an extra expense coverage of \$500,000 under the property policy that AquaSurance does not. However, AquaSurance has a deductible on its property policy of \$2,500 per occurrence, while Arthur Gallagher's deductible was \$5,000 per occurrence with some exceptions in mobile equipment, earthquake and earth movement areas. In boiler/machinery, the AquaSurance proposal contains a deductible of \$7,500 for all objects except \$25,000 for underground property excluding lift stations. The Arthur Gallagher proposal contains \$500,000 of extra expense coverage and has a deductible of \$5,000 for all objects except for \$25,000 for equipment located under 50 feet below ground. Finally, the pollution liability proposal of AquaSurance has a \$1,000,000 per occurrence and aggregate limit while the Arthur Gallagher proposal has a \$1,000,000 per occurrence and \$300,000 aggregate, but the deductible contains less exclusions and limitations. The Board reviewed the proposals in detail, as well as the loss history of the District. The Board noted that the majority of the District's claims have come under property and general liability. The Board noted that the District could save approximately \$9,453 by accepting the Arthur Gallagher proposal. It would take four separate property claims with the higher deductibles to offset the savings, so it was reasonable to believe that the Arthur Gallagher proposal would be advantageous to the District, particularly over the long term. After a discussion, upon unanimous vote, the Board approved acceptance of the Arthur Gallagher proposal for property, boiler and machinery, general liability, pollution, directors and officers, public employee blanket bond, directors and officers bond, inland marine and worker's compensation as presented.

14. The Board deferred consideration of an Order Approving Bond Application Report. The Board noted that they hoped to be able to approve the order at the December meeting.

15. Lori Aylett presented an attorney's report. The attorney had one groundwater reduction credit contract with New Orleans Cold Storage in the amount of \$26,692 for 7.8 million gallons. The customer has already paid, and accordingly the Board approved the request as presented.

Lori Aylett also noted that she had provided information to the NPOA regarding the current contract for use of raw water. The attorney reviewed the assignment documents provided by the NPOAN. It appears that Rampart and the country club owner are assigning all of their interests to the NPOAN with the exception of an old utility commitment on 122 lots, which will be retained by Rampart.

16. The Board briefly discussed park rules. The operator and Board members suggested certain corrections and revisions to the park rules. The attorney will review the proposal and draft the appropriate rules for consideration at the Board's December meeting. The Board also asked the attorney to draft appropriate signage on the issue of video camera surveillance. The

Board members also asked the attorney to provide a report on the status of current law regarding concealed carry and open carry and its applicability to the park rules.

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



Secretary