

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
December 16, 2015

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, December 16, 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 Brandon Smith, Jeremy Cochran, Mandi Guerra, Brian Toldan, Margarette Chasteen, Andrea Martin, Donna Bryant, Crystal Kirby, David Kasper, Debbie Shelton, 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 November 11, November 16 and November 18, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Brian Toldan presented a proposed audit engagement for the fiscal year ended December 31, 2015 and future years. Mr. Toldan stated that the District just completed a two year engagement and his firm was proposing another two year engagement. The fee range is anticipated to be between \$16,000 and \$17,000, the same as the prior two year engagement. Upon unanimous vote, the Board engaged McCall Gibson Swedlund Barfoot, PLLC to audit the District's books and records for the fiscal year ended December 31, 2015 and December 31, 2016.

3. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. The Board discussed the electricity spike at Water Plant No. 2. Director Hembree and Jeremy Cochran noted that they had discussed the matter with the District's electricity consultant, Greg Pendley, and Mr. Pendley has indicated that this charge is correct. The spike occurred because the District tested the well a month after it was repaired and placed back into service. The TDSP charges allow a recovery charge to be assessed, resulting in the spike. The Board discussed the bookkeeper's report in detail. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed on the report.

4. Donna Bryant presented a tax assessor/collector's report. 2015 taxes were 3.29% collected, and all prior years were over 99% collected. Two wire transfers were presented for the Board's review and approval, and six checks were also presented. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

5. There were no developers present, so no developers' report was given.

6. Ms. Crystal Kirby presented a brief report on behalf of Aggressive Waste. She thanked the Board for their business. The Board passed along the compliments of the residents about the people that Ms. Kirby employs on the garbage trucks. Her employees go above and beyond in helping elderly and disabled people get out their trash and are very polite. Ms. Kirby thanked the Board for their positive feedback.

Also under customer inquiries, Ms. Margarette Chasteen reported that people in the community are getting correspondence regarding water treatment systems. The company is using scare tactics in an attempt to get people to use their product. She wanted to make the District operator and directors aware, and they thanked her for the report.

7. There was presented the attached Resolution Adopting Operating Budget for Fiscal Year Ending December 31, 2016. The Board discussed the budget in some detail and thanked Director Hembree for a job well done in preparing the budget. Upon unanimous vote, the Board adopted the resolution as presented.

8. Andrea Martin presented a billing and collections report. Total current payments were \$269,831.92, while total current billing was \$223,141.11. Deposits in-house were \$410,021.50. The 30-day arrears were \$61,571.61 at the end of November, and as of today's meeting they were at \$28,027.67. There were 48 new connections in the District, of which 43 were owners and five were renters. Of those new connections, 19 were new homes, and 24 were pre-existing homes. 20 accounts were finalized, and there were 54 vacancies.

The written report of Aggressive Waste was considered. They issued two yellow tags for non-compliant household trash, and 10 yellow tags were issued for non-compliant heavy trash.

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

9. The Board received a report from the operations and engineering meeting. The engineer discussed the District's bond issue size, and the Board awarded the Section 8 detention pond project. Upon unanimous vote, the Board approved the operations and engineering report as presented.

10. The Board briefly discussed the agreement for annexation utility service with International Union of Operating Engineers. The attorney presented a draft of the agreement for the Board's review and consideration. After discussion, upon unanimous vote, the Board authorized the attorney to send the draft of the agreement to International Union of Operating Engineers for their review and approval.

11. Lori Aylett presented an attorney's report. Her office is working on the proposed annexations with International Union of Operating Engineers and Newport Court, as well as the dissolution of neighboring Harris County MUD 19, which must be accomplished prior to the Union annexation. She also worked on park rules and related matters.

12. The attorney presented a proposed Order Adopting Rules and Regulations for District Parks, Recreational Facilities and District Property, Facilities, Easements and Rights-of-Way. The Board discussed amendments to the park rules in some detail. Upon unanimous vote, the Board approved adoption of the park rules as presented.

13. The attorney presented proposed signs providing notice to the public of the park rule adoptions, camera surveillance, and related matters, and the Board approved the signs for printing and distribution in the parks as appropriate.

14. There was presented the attached Order Authorizing Filing Application for Approval of Texas Commission on Environmental Quality of District's Engineering Project and Issuance of Bonds of up to \$5,500,000. Debbie Shelton presented a cash flow analysis indicating that the District could issue up to \$5,500,000 of bonds. It appears that Seven Oaks' developer is constructing more expensive homes than was originally planned. The Villas only have about 12 homes left to construct, while Seven Oaks South has about 30 left to construct. It appears that the District can issue bonds to repay the developers up to 100%, and each developer appears to be creating the value necessary to support up to 100% reimbursement. The District can proceed with submission of the bond application and reimburse the developers as they put value on the ground. Upon unanimous vote, the Board approved the Order Authorizing Filing Application for Approval of Texas Commission on Environmental Quality of District's Engineering Project and Issuance of Bonds of up to \$5,500,000 as presented. The Board authorized the engineer, financial advisor and attorney to submit the application for expedited review as soon as possible.

15. Lori Aylett reported that as a result of recently enacted Senate Bill 1812, all entities with the power of eminent domain must annually submit certain information to the Texas Comptroller. The District will be required to submit not later than February 1st of each year a report containing records and other information needed for the Controller's eminent domain database, including the following: (i) name, (ii) address and public contact information, (iii) the name of a representative and their contact information, (iv) the type of entity, (v) each provision of law that grants the District eminent domain authority, (vi) the focus or scope of eminent domain authority, (vii) the earliest date on which the District had the authority to exercise eminent domain, (viii) the District's taxpayer identification number, if any, (ix) whether the District exercised its eminent domain authority in the preceding calendar year by filing a condemnation petition, and (x) the District's website address or, if it does not have one, the contact information to enable a member of the public to obtain information from the District. The attorney requested that the Board authorize her office to file the annual report with the Texas State Comptroller not later than the February 1, 2016 deadline. Upon unanimous vote, the Board authorized the attorney to make the submission as required by law.

16. Lori Aylett advised the Board as to certain notice requirements for the upcoming directors election. Pursuant to the requirements of the Texas Water Code and the Texas Election Code, the District must post a notice of the deadline for candidates to file

applications for place on the ballot no later than Monday, December 21, 2015. The notice must be posted at the same location where the District posts its meeting notices and must remain posted through 5:00 p.m. on Friday, February 19, 2016. The notice must be posted in English, Spanish, Vietnamese, and Mandarin. The Board authorized the attorney to take the necessary actions to post the required notice.

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



Secretary