

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
June 23, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Thursday, June 23, 2016, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Jim Hembree, President  
Wayne T. Scott, Vice President  
Margarette Chasteen, Assistant Secretary  
R. Gary Hasse, Director

and the following absent:

Don Cox, Secretary.

Also present were Tammy Lewis, Brandon Smith, Eileen Fashoro, Nino Corbett, Esther Kumaga, David Kasper, 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 May 17, May 25, May 26, June 2 and June 9, 2016 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. No bookkeeper was present, but the Board reviewed a bookkeeper's report, a copy of which is attached. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills with checks listed thereon.

3. Esther Kumaga presented a tax assessor/collector's report. 2015 taxes were 97.27% collected. All prior years were over 99% collected. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented and authorized payment of bills with the checks drawn on the tax fund.

4. The Board considered developers' reports. Eileen Fashoro reported on the status of Rampart's development. Rochester is still in the process of platting their tract on South Diamondhead. In Newport, Section 8, the roads and detention are under construction. Phase 2 of Section 8 is under contract for sale to Lennar and will be re-platted as 84 lots. Lennar is looking at a tract south of South Diamondhead for use as a possible over-55 active retirement community. The property is currently out of the District, and the developer is considering construction of approximately 50 homes. The other 11 acres owned by Lennar will now be developed as single family homes on 45-foot lots, and another nine acres is also under development.

5. There were no customer inquiries regarding utility service or billing.

6. Tammy Lewis presented a billing and collections report. Total current payments were \$264,199.25, while total current billing was \$233,805.40. The 30-day arrears were \$52,803.05 at the end of May, and as of today's meeting they were at \$26,068.09. There were 43 new connections in the District, of which 38 were owners and five were renters. Of those new connections, 15 were new homes, and 28 were pre-existing homes. 28 accounts were finalized, and there were 63 vacancies.

The operator next presented a report on behalf of Aggressive Waste. The garbage contractor issued six yellow tags 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.

7. The Board received a report regarding operations and engineering matters. The engineer is working on the renewal of the Notice of Intent (NOI) for coverage under the Texas General Permit for Stormwater Discharges Associated with Industrial Activity. The District's sewage treatment plant is required to obtain coverage under an NOI because it is over 1 million gallons per day. The engineer and operator are working on updates to the emergency preparedness plan. The engineer's input will be needed on some of the updates to the sections. The engineer has also scheduled a pre-purchase inspection for the developer reimbursement items in the District's pending bond issue.

Brandon Smith reported on operation matters. His office has updated the hurricane preparedness plan, and added current telephone numbers to the directory. The Consumer Confidence Report has been completed and will be provided via a direct link or on the District's bill. The TCEQ completed the inspection of the surface water treatment plant and found no violations. Upon unanimous vote, the Board approved distribution of the Consumer Confidence Report as required by law.

The operator reported receipt of a request from Bellows for temporary service associated with a fire hydrant. The contractor asked for services for eight months while constructing the International Union of Operating Engineers campus site. The District's rate order provides that long-term requests for temporary services cannot be granted without Board approval. The Board considered the request, and upon unanimous vote, approved the request, subject to receipt of a \$6,500 deposit for the services.

Upon unanimous vote, the Board approved the operations and engineering report as presented.

8. Lori Aylett presented an attorney's report. She had no groundwater reduction credit contracts for the Board's consideration. She provided the Board with a tentative schedule for sale of the District's bonds. Debbie Shelton suggested that the District approve a preliminary official statement at the July meeting. The bonds can be sold at the August meeting, and the bond closing will be around the time of the District's September meeting.

The attorney presented an annual arbitrage rebate report. There were no action items for the Board's consideration, and it appears that the District is in compliance with all arbitrage / rebate regulations.

The attorney reported that the dissolution hearing for Harris County MUD No. 19 is set at the Texas Commission on Environmental Quality on August 5, 2016. The attorney published a notice of the dissolution last week and this week, as required by law.

The attorney presented a draft of a Water Supply and Groundwater Reduction Agreement with Harris County MUD No. 525. She asked that the Board and engineer review the draft. Lori Aylett's law partner, Taylor Goodall, will attend the District's July meeting. Smith, Murdaugh, Little & Bonham, L.L.P. also represents MUD 525, and Mr. Goodall is the primary contact for that district. He will be able to answer general questions of the Board. Lori Aylett will be available in August, at which time the Board can consider approval of the contract, if acceptable.

The attorney also noted that CommunityBank of Texas is requiring the District to execute a new master agreement as a condition to continuing to provide online payment services. The attorney has reviewed the agreement, and much of it is not applicable to the District's operations. However, the attorney advised that the Board should execute the agreement so that the services can continue to be provided. She will place an item on the next agenda for the Board's consideration.

9. The attorney then distributed a conflict of interest questionnaire. The Board members completed the questionnaires, noting no conflicts, and provided copies for the District's records.

10. Nino Corbett presented a developer's report. Storm sewers are 75% complete in his development. By next month, all of the underground utilities should be complete. Mr. Corbett is getting ready to plat his property. All of the property is currently in the District except for a small pie-shaped sliver. All of the property to be annexed is commercial, and the annexation documents being prepared.

11. The Board reviewed the ethics letter and update by Investment Officer Shirley McLennan. The attorney noted that annually the Investment Officer is required to disclose whether she has any personal business relationships with any entities seeking to sell an investment to the District. Ms. McLennan indicated that she had personal business relationships to disclose as indicated on the report. Upon unanimous vote, the Board approved the Investment Officer disclosure as presented and authorized its filing with the Texas Ethics Commission and in the minutes of the District, as required by law.

12. The Board discussed garbage collection service proposals. In response to the Board's previous authorization, the attorney sent a request for proposals, and the Board reviewed the proposals received. The best bid appeared to be from Best Trash, but it was noted that they do not provide large dumpster service, so that would have to be contracted separately. Director Chasteen noted that the Property Owners Association used Hodgkiss for their large dumpsters.

The attorney reminded the Board that the District still has an existing contract with Aggressive Waste that is not set to expire until June of 2017. Their request for a large increase triggered the necessity to receive requests for proposal. After review of all of the proposals, the Board authorized the attorney to direct correspondence to Aggressive Waste declining their request for an increase. The attorney will also ask Aggressive Waste if they intend to honor their contract through its expiration.

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

  
Secretary