

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
November 17, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on November 17, 2016, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Jim Hembree, President
Don Cox, Secretary
Margarette Chasteen, Assistant Secretary
R. Gary Hasse, Director
David P. Guidry, Director

and the following absent:

None.

Also present were Delia Yanez, Mandi Guerra, David Kasper, Delilah Arolfo, Robert Santini, Nino Corbett, Carlos Castrejon, Brandon Smith, Andrea Martin, Debbie Shelton, Jim Carpenter, Chad Rochester, 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 held October 27, 2016, and November 10, 2016 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The Board considered election of officers. The Board noted that there was a vacancy in the office of Vice President. Gary Hasse was nominated for the office of Vice President and no other nominations were received. Nominations were closed and Gary Hasse was elected Vice President by acclamation.

3. Delia Yanez presented a tax assessor/collector's report, a copy of which is attached. 2015 taxes were 98.67% collected. All prior years were over 99% collected. Four checks were presented for the Board's review and approval. Lori Aylett presented a list of delinquent tax accounts proposed for water termination. She asked that the Board members contact her individually if they were aware of any extenuating circumstances on a particular account. 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. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. In accordance with previous instruction, the bookkeeper split the emergency costs related to the annexation between the Newport Court, Ltd. tract and the International Union of Operating Engineers' tract equally. All other matters under the bookkeeper's report were routine. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills with the checks listed thereon.

5. There Board considered customer service inquiries. The Board reviewed a letter from Roger Jones. Director Cox stated that he would abstain from consideration of that correspondence because he is the listing agent for the property. The letter alleged that "piping had been utilized", but the operator confirmed that the District does not have any present interest in the property and there is nothing mentioned in the correspondence that directly relates to the Board's business.

6. The Board discussed renewal of the District's insurance policies. The attorney presented a report from Arthur Gallagher Co. and a proposal for renewal of the District's existing insurance policies for property, boiler and machinery, general liability, pollution, workers compensation, directors and officers liability, public employee blanket crime bond, inland marine, and directors and officers bonds. The total current premium is \$35,303, which is an increase of \$314. Upon unanimous vote, the Board approved renewal of the District's insurance policies as presented.

7. Andrea Martin presented a billing and collections report. Total current payments were \$301,178.66, while total current billing was \$255,769.45. The 30-day arrears were \$56,589.75 at the end of October, and as of today's meeting they were at \$27,142.60. There were 42 new connections in the District, of which 35 were owners and seven were renters. Of those new connections, 11 were new homes, and 31 were pre-existing homes. 15 accounts were finalized, and there were 54 vacancies.

The operator next presented a report on behalf of Aggressive Waste. The garbage contractor issued zero yellow tags for non-compliant household trash, and six yellow tags were issued for non-compliant heavy trash.

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

8. The Board reviewed operations and engineering matters. Foster Fence is going to weld up the mid-rail at the splash pad to keep people from gaining entry. The splash pad has been closed for the season. The dewatering box at the sewage treatment plant has been delivered for a trial run. It works properly but uses a lot of polymer. The operator is also going to perform a trial run on a belt press.

9. The Board entertained various developers' reports. Carlos Castrejon reported that Section 12 paving construction is ongoing. The last pour is scheduled for today. The developer is working on second stage inlets and landscaping. The developer added sandbags on the inlets but they keep getting taken by persons unknown. Sales in Section 8 are going well. There have been eight starts and six sales with an average price of \$240,000. Director Hembree noted that Lennar had done a good job on estimating its schedule for homebuilding.

Chad Rochester with Rochester Engineering reported that in Section 9, all of the contract documents have been received for the paving, water, sewer and drainage. The paving contract was awarded to Jaho, and as the Board previously discussed last month, the contract for water, sewer and drainage was awarded to Monarch. 83 homes are planned in Section 9 with a projected sales price of \$175,000.

Jim Carpenter addressed the Board and stated that he was pleased with the progress of Section 8 and is beginning discussions regarding development of Section 7. The developer has questions about whether the District can sell back some of the vacant park land to them for detention.

10. The Board then discussed the request for annexation or a defined area from Newport Pointe. Nino Corbett reported that Newport Court paving is almost complete. With regard to the defined area, he has provided preliminary numbers to Debbie Shelton indicating that his development costs will be in the range of \$20 million. According to Ms. Shelton's calculations, a tax rate of \$1.13 would be necessary to support Mr. Corbett's defined area development. The District also needs to consider a bond election. The Board members reminded those present that they made a commitment at the first bond election that taxes would not be raised and that commitment has been honored. In Nino Corbett's case, the defined area does not appear to be able to give is development 100% reimbursement. There was a lengthy discussion on how it would be possible to get the developer reimbursed. It appeared that Lennar's defined area would need a much lower tax rate, so it did not appear feasible to add Nino Corbett's development to the Lennar development and make one defined area. The next step would be for the engineer to prepare a cost summary for a bond election for the District and for the defined areas. The engineer will prepared the bond election cost summaries for the next meeting for the Board's discussion. The proposed schedule would be to have a District bond election and a defined area election for Nino Corbett's development in May. Lennar could have the defined area election in November.

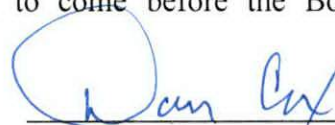
11. Lori Aylett presented an attorney's report. She had no groundwater reduction agreements for the Board's consideration. There was no action or news on the Water Supply Contract with Harris County MUD 525. Their developers are still considering all of the options.

12. The attorney next reported on the status of the annexation of the International Union of Operating Engineers / Newport Court tract. The attorney had been contacted by the attorney for the International Union of Operating Engineers. In October, the International Union of Operating Engineers conveyed its property to a 501(c)(3) educational center, and they intend to seek an exemption from taxation. This triggers Section 13 of the District's annexation agreement and the calculation of a non-taxable tap fee. The District has bonds outstanding through 2039, and the calculation of the fee is therefore \$5,175,000. The Board authorized the attorney to convey the information to the Union about the payment of the non-taxable entity tap fee and the required amendments to all of the agreements in place related to the annexation.

13. The attorney discussed the need for an updated records control schedule and Declaration of Compliance with Local Government Records Act. Upon unanimous vote, the Board approved the attached Order Adopting Records Control Schedule and approved and authorized execution of the Declaration of Compliance.

14. The Board deferred consideration on land acquisition or donation for parks.

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


Secretary