

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
December 15, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on December 15, 2016, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

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

and the following absent:

Jim Hembree, President.

Also present were Delia Yanez, Mandi Guerra, David Kasper, Delilah Arolfo, Nino Corbett, Brandon Smith, Andrea Martin, Debbie Shelton, Jim Carpenter, Mary Westheimer, Jennifer Tatum, and Lori G. Aylett, attorney for the District.

In the absence of the President, the Vice 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 November 17, 2016, and December 8, 2016 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. Delia Yanez presented a tax assessor/collector's report, a copy of which is attached. 2015 taxes were 98.86% collected, while 2016 taxes were 2.49% collected. All prior years were over 99% collected. Two wires and seven checks were presented for the Board's review and approval.

The attorney presented a list of accounts proposed for water termination because the taxpayer owed delinquent taxes. The Board noted one exception due to extenuating circumstances and approved the remainder of the accounts for water termination.

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.

3. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. The District received payment from New Orleans Cold Storage for a groundwater reduction contract. The IUOE Training and Education Center elected not to pursue any tax exemption in 2017 and instead paid a commercial tap fee and additional \$15,000 of attorney fee expenses related to documents that needed to be prepared because of the change in ownership. The bookkeeper requested that the Board put an item on the next agenda to adopt a new investment officer, Mr. George Diaz. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills with the checks listed thereon.

4. The Board considered a Resolution Adopting Operating Budget for Fiscal Year Ending December 31, 2017. In Director Hembree's absence, the Director Guidry explained the highlights of the budget. The budget item for the detention pond maintenance will increase when the new ponds in the Newport Court development are completed. The budget as proposed includes an increase of various operation matters of \$353,743, which was recommended by Director Hembree. The operator noted that they had proposed an increase in budget of \$644,676. It was also noted the 3.9% increase would have been \$82,806. The budget as proposed by Director Hembree included a total of \$5,474,138 of revenues and \$4,877,166 of expenses and incorporated requested increases by the various consultants. The Board asked for an explanation of the operator's request for an increase that was greater than that recommended by Director Hembree. Delilah Arolfo addressed the Board and stated that the District requires 24-hour operations, and the operator's night crew is often small. When someone is absent, others have to work overtime, at the operator's expense. In addition, the operator demands a high standard for Newport and keeps a superior water status. The District had 176 taps this year and is growing quickly. The operator strives to save the District money by making repairs in-house and looking for the best deals on chemicals. The Board discussed the budget in some detail. The Board noted their concern that they have not had a lot of time to review the budget and that Director Hembree has not been able to come to terms with an agreement with the operator. Ms. Arolfo stated that she was prepared to offer an Exhibit A to her contract to match the District's proposed budget. However, she would like to have the Board reconsider the matter in the first quarter of 2017. The Board noted that it was a fair resolution and that discussions would continue. Upon unanimous vote, the Board adopted the attached Resolution Adopting Operating Budget for Fiscal Year Ending December 31, 2017 as presented.

5. There Board considered customer service inquiries. Ms. Mary Westheimer stated that she was here simply to observe. She serves on a board with the Sabine County Water District.

6. The Board then considered developers' reports. Lennar was not present at the meeting but sent a developer's report. The attorney read the report to the Board, which included information on the various Lennar sections under development. In Villas, there are 44 lots in the price range of \$150,000. All lots are under construction or completed. Engineering, civil work, and landscaping is 100% complete. In Section 8, Phase 2, the Phase 1 detention pond is 100% complete, while the Phase 2 detention pond has not yet begun. Engineering is 100% complete. In Section 8, Phase 3, a delivery date is anticipated for March of 2019 with 65-foot lot sizes and a lot count of 41. The price range should be in the mid \$200,000 range. Home construction would begin in 2018. Engineering is 80% complete, while construction and landscaping are at 0% completion. In Section 12, a delivery date is anticipated for January of 2017. There are anticipated to be 43 lots that are 45-foot wide. The price range is in the low \$200,000 range, and home construction would start in 2017. Engineering is 100% complete, while water, sewer and drainage is at 90% complete and paving is at 95% complete. Landscaping has not yet begun. In The Villas, as of September 30, 2016, there were 38 closings and 44 starts. In Seven Oaks, Section 8, Phase 1, there were 61 closings and 92 starts.

Nino Corbett discussed the status of his various developments. He has received a final inspection package for the Newport Court development. He has been providing proposed reimbursement numbers to the District engineer for formulation of a defined area plan on his Newport Pointe development.

7. Andrea Martin presented a billing and collections report. Total current payments were \$259,178.47, while total current billing was \$270,658.35. There were 54 new connections in the District, of which 49 were owners and five were renters. Of those new connections, 13 were new homes, and 41 were pre-existing homes. 14 accounts were finalized, and there were 60 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 12 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. The District previously gave authorization for the engineer to advertise for bid for the tank painting project. The design of the 16-inch water line crossing Gum Gully is underway. The engineer requested and received Board authorization to advertise for bids for replacement of water meters. Ms. Jennifer Tantum entered the meeting in progress and introduced herself as the onsite construction representative for the IUOE Training and Education Center. The Board welcomed her and stated that they were looking forward to working with her.

9. The Board had a brief report on an engineering cost summary for a possible bond election in the Newport Pointe, Ltd. defined area. The engineer continues to work on the cost summary, and the Board will discuss the report more at its January operations meeting.

10. Lori Aylett presented an attorney's report. She reported she had no groundwater reduction agreements for the Board's consideration.

11. There was no action for the Board to take on the Water Supply and Groundwater Reduction Agreement with Harris County Municipal Utility District No. 525, as their developer is still investigating all options and costs.

12. The Board considered a Consent to Assignment of Agreement for Annexation and Utility Service from International Union of Operating Engineers (the "Union") to IUOE Training and Education Center, Inc. (the "Center"). The attorney noted that as previously reported, in October, the International Union of Operating Engineers had conveyed its land to IUOE Training and Education Center. They requested the right to assume the previous party's obligations under the agreement. As previously reported, at this time, they have not elected to pursue a tax exemption, but the language regarding assessment of a non-taxable tap fee still remains in force and in the agreement for annexation and utility service that will be assumed by the Center.

The attorney also presented a proposed termination agreement of the water, sewer and drainage improvement financing and construction contract with the Union. The Union did not advertise their water line project for bids as required by the contract, and therefore will not be entitled to receive reimbursement. The attorney suggested approving the termination agreement contingent upon the Center and the Union conveying the water facilities to the District for operation upon their completion.

The attorney presented a draft of a conveyance of facilities document that would be signed by the Union and the Center when they complete the water line construction. As well, the attorney presented the declaration of restrictive covenants to be recorded by the Center pursuant to the terms of the annexation and utility service agreement.

After discussion, upon unanimous vote, the Board approved the Consent to Assignment of Agreement for Annexation and Utility Service from the Union to the Center, approved the termination of the preconstruction agreement with the Union, approved the form of conveyance of facilities with the Union and the Center, and approved the form of the Declaration of Restrictive Covenants to be recorded by the Center.

13. There was presented the attached Order Dated December 15, 2016 of District's Board of Directors Adding 231.3383 Acres of Land to the District and Redefining the Boundaries of the District, to Which is Attached the Petition for Addition of (1) International Union of Operating Engineers (and joined by the Center) and (2) Newport Court, Ltd. Upon unanimous vote, the Board approved the Order Adding Land and Redefining the Boundaries of the District as presented.

14. There was next presented an 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 all landowners that they were in a water district. The document must be amended any time District boundaries are changed. Upon unanimous vote, the Board approved the Amendment to Statement of Directors as presented and authorized its execution by all directors present. The Board further authorized the attorney to file the document in the Real Property Records and with the Texas Commission on Environmental Quality, as required by law.

15. There was presented the attached Resolution for Adoption of Order Authorizing (1) Policies and Rates for Water and Waste Collection and Disposal Service and (2) Rules and Regulations Governing Sewer House Lines, Sewer Connections and Water Main Connections as presented. Upon unanimous vote, the Board approved the resolution as presented.

16. The Board reviewed an operator's contract, and the operator indicated that they had completed the Texas Ethics Commission Form 1295. The contents of the Exhibit A to the contract match the District's recently adopted budget. Upon unanimous vote, the Board approved the operator's contract as presented.

17. There was no action on land acquisition or donation for parks.

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

  
Secretary