

NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

January 12, 2017

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on January 12, 2017, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

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

and the following absent:

None.

Also present were David Kasper, Nino Corbett, Delilah Arolfo, Brandon Smith, Cullen Francis, Jeff Baughman, Rich Harcrow, Andrea Martin, Debbie Shelton, and Lori G. Aylett.

The President called the meeting to order and declared it open for such business as might properly come before it.

1. The President deviated from the order of the agenda and first considered a Consent to Assignment of Reimbursement from Rochester Enterprises, LLC to CommunityBank of Texas, N.A. The attorney noted that she had no recommended action for the Board on this matter. Originally, Rochester Enterprises, LLC had requested that this item be placed on the operations agenda because they needed to obtain the District's consent to assign their receivables to CommunityBank of Texas in an expeditious manner, and it could not wait for the business meeting. The attorney reviewed the necessary assignment documents. However, CommunityBank of Texas, N.A. was unwilling to submit a TEC Form 1295. The attorney advised the counsel for the bank that the District could not execute any contract without such form, and the bank's counsel stated that he was aware of this. The attorney also advised the bank's counsel that the District would have no actual knowledge of the assignment of receivables and would be entitled to pay any bond proceeds to Rochester Enterprise, LLC directly. The bank's counsel stated that the bank understood this as well and that this was a credit risk that they were willing to take. Therefore, the Board declined to take any action on the consent to assignment of reimbursement.

2. The Board considered the attached Resolution for Adopting Defined Area Plan and Calling Hearing for Adoption of the Plan. The resolution identified the defined area as the same tract of land that was annexed by the District in 2007 at the petition of Newport Pointe, Ltd. The engineer presented a cost summary of proposed utility and drainage system improvements to serve the defined area, along with maps and plans. The plan contemplates a proposed bond election and a maintenance tax election in an unlimited amount. After discussion, it appeared that there were at least \$50 million of improvements that could benefit the defined

area. The Board noted that an unlimited tax should be authorized in the defined area to secure the bonds that would be issued for the benefit of the defined area. Further an unlimited maintenance tax should be voted for maintenance and operations that benefit the defined area. Debbie Shelton noted that the District would want to levy a maintenance tax initially in the amount of the anticipated future debt service tax for the defined area, so that as residents move into the defined area, they will pay the anticipated ultimate tax rate, and their tax rate will not deviate substantially from year to year in the early stage of development of the defined area. The Board discussed the proposed plan in some detail. After discussion, upon unanimous vote, the Board approved the Resolution for Adopting Defined Area Plan and called a hearing for the proposed plan to be held on February 9, 2017 at 10:00 a.m. at the District's office. The Board authorized the attorney to publish the notice as required by law of the public hearing. At the conclusion of the public hearing, the District may make revisions to the plan, and if appropriate, adopt the plan and call the necessary bond and maintenance tax elections for the May uniform date.

3. David Kasper presented an engineer's report, copy of which is attached. Mr. Kasper requested authorization to advertise for bids for the meter replacement project. Upon unanimous vote, the Board authorized the engineer to advertise for bids.

The engineer next updated the Board on his meeting with EFS regarding the tank rehabilitation project. The engineer recommended utilizing a float system so that everything would be automated. The price of the float system is \$4,950.

Upon unanimous vote, the Board approved the engineer's report.

4. The Board next reviewed the operations and maintenance report, a copy of which is attached. Brandon Smith reported on operations of the water system in the District. Ground water permitted through February 28, 2017 was 175.200 million gallons, and remaining ground water as of December 28, 2016 was 69.808 million gallons. Total ground water produced was 37.621 million gallons, while no surface water was produced. Billed water was 16.839 million gallons with an accountability of 86%.

Jeff Baughman reported on completed and pending work at the surface water treatment plant and Water Plant No. 1.

Brandon Smith reported on the status of the wastewater system in the District. Total flow for the month amounted to 20.896 million gallons, with an average daily flow of 0.674 million gallons. There was 3.9" of rainfall for the month. There were no violations noted at the facility.

Cullen Francis next reported on work completed at the wastewater treatment plant and District lift stations. At the Handspike Lift Station, the operator deragged Pump Nos. 1 and 2, and EFS installed an electrical contact on Pump No. 1. At the South Diamondhead/FM 2100 Lift Station, the operator deragged check valves, replaced the 1 1/4" check valves with 2" check valves, and EFS installed a new transducer. Flying Bridge Lift Station, the operator completed replacement of the pump and valve. The operator reported that rehabilitation of the Helmsman and Handspike lift stations was necessary due to the operating conditions and amount of time spent deragging the pumps. Brandon Smith provided a quote of \$50,998 per lift station with the

Handspike Lift Station being the priority, followed by the Helmsman Lift Station. Upon unanimous vote, the Board approved the bid and repairs as presented.

Upon unanimous vote, the Board approved the operator's report.

5. Brandon Smith then presented a report on District parks. At the Port O'Call Park, the operator replaced the valve in the irrigation system, and pressure washed the pavilion, tables and structures at Flying Bridge Park.

There were no party requests for the Board's consideration.

Upon unanimous vote, the Board approved the parks and trails report as presented.

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


Secretary