

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
February 9, 2017

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on February 9, 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, Earl Boykin, 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 Board opened a public hearing on a proposed plan for a defined area. The attorney noted that notice of the proposed defined area plan had been published as required by Texas Water Code §54.803. The Board reviewed the engineering report for the defined area in detail. The Board had discussions regarding implementation of the maintenance tax in the defined area in the early years of the development. Nino Corbett of Newport Point, Ltd. testified in support of the defined area plan. He stated that his goal is to add \$130 million to \$150 million of assessed value to the District. This value will generate additional debt service and maintenance tax revenues for Newport.

The Chair opened the floor for discussion or testimony from the public in support or in opposition to the proposed plan for the defined area. Resident Earl Boykin noted that he had reviewed a copy of the notice in the newspaper and was attending to observe and had no objections to the plan.

Director Cox noted that he was in favor of the plan because there was a physical barrier between the defined area and "old" Newport. He stated that any future defined areas would require some convincing on his part.

After a full discussion and hearing from all present regarding the matter, the Board President closed the public hearing.

2. There was presented the attached Order Approving and Adopting the Defined Area Plan. Upon unanimous vote, the order was adopted as presented.

*AMP-*

3. There was presented the attached Order Calling Election for the Defined Area, and a Bond Election for the defined area. Upon unanimous vote, the order was approved as presented.

4. There was presented the attached Order Calling Maintenance Tax Election for the Defined Area. Upon unanimous vote, the order was approved as presented.

5. The Board discussed a proposed Order Calling a Bond Election for the entire District. The engineer reviewed proposed costs of development. He noted that all costs were proposed at 100% reimbursement plus developer interest. In addition, he had added an annexation project from Lennar and several District central plant facilities. The Board noted that the District still has \$19,815,000 of voted but unissued authority and discussed the matter in some detail. The Board noted that they would like an opportunity to review the engineer's report in more detail. The Board noted that it was not critical at this time to call a bond election for the entire District, as the District still had plenty of remaining voted authority. Accordingly, the Board tabled consideration of an Order Calling a Bond Election for the entire District.

6. David Kasper presented an engineer's report, copy of which is attached. Mr. Kasper reported that he received a request from a resident requesting a letter from the engineer on behalf of the District stating that the resident does not have any main lines on his property. Mr. Kasper will address the resident's request. Upon unanimous vote, the Board approved the engineer's report as presented.

7. 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 January 26, 2017 was 28.627 million gallons. Total ground water produced was 41.181 million gallons, while no surface water was produced. Billed water was 17.602 million gallons with an accountability of 80%.

Jeff Baughman reported on completed and pending work at the surface water treatment plant and Water Plant No. 1. Brandon Smith discussed in detail the chain and sprocket that need to be replaced on the clarifier at the surface water treatment plant and presented two quotes for the Board's review. The first quote was for \$3,660 to replace the chain and sprocket using standard materials. The second quote was for \$8,725 to replace the chain and sprocket using stainless steel. Upon unanimous vote, the Board authorized replacement of the chain and sprocket using stainless steel at a cost of \$8,725.

Brandon Smith reported on the status of the wastewater system in the District. Total flow for the month amounted to 30.560 million gallons, with an average daily flow of 0.985 million gallons. There was 8" 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.

Brandon Smith reported on aeration basin repairs. The Board previously approved the work to be complete at a cost of \$11,000 to pump down three aeration basins. However, after

an additional inspection, it was determined that two of the basins need to have the air diffuser membranes replaced in order for them to operate as designed. The cost to take-down and clean two aeration basins is \$7,800, with material costs of \$8,015. Upon unanimous vote, the Board approved the work as described.

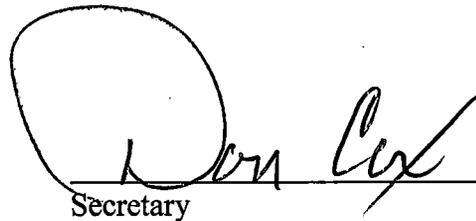
Director Hasse next discussed the road leading to the floodgate at the wastewater treatment plant. It was reported that the operator has been having issues with equipment getting stuck on the road. After discussion, the Board authorized the operator to add road base stone to the existing roadway.

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

8. Brandon Smith then presented a report on District parks. The operator submitted a quote in the amount of \$5,115 to sandblast the letters on the park signs at the Port O'Call Park and Flying Bridge Park. Upon unanimous vote, the Board approved the quote as presented and authorized the operator to proceed with the work. Upon unanimous vote, the Board approved the District parks report as presented.

9. Delilah Arolfo discussed the invoice for services performed relating to the Union tap. Arolfo explained the breakdown of management time on the Union tap. She informed the Board that once the build-out is complete, there may be additional invoices for inspections necessary to comply with the District's rules and regulations, as well as any and all state, county, and federal regulatory agencies. Additional costs will be billed with the applicable 200% mark-up pursuant to the District's rate order.

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

  
Secretary