

**NEWPORT MUNICIPAL UTILITY DISTRICT**

Minutes of Meeting of Board of Directors

June 22, 2017

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on June 22, 2017, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

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

and the following absent:

None.

Also present were Allyson Baker, David Kasper, Rich Harcrow, Andrea Martin, Carlos Castrejon, Eileen Fashoro, Cullen Francis, Nino Corbett, 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 May 23, 2017 and May 25, 2017 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The reviewed the tax assessor/collector's report, a copy of which is attached. 2016 taxes were 97.27% collected, while all prior years were over 99%. Three checks and two wire transfers were presented for the Board's review and approval. 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. There was presented the attached Resolution Requesting Harris County Appraisal District to Activate Defined Area. The attorney noted that the District must adopt this resolution to allow the Harris County Appraisal District to identify the newly formed defined area in the District as a separate taxing jurisdiction. Upon unanimous vote, the Board approved the resolution as presented.

4. The Board deferred consideration of an amendment to the tax assessor/collector's contract.

5. Allyson Baker presented a bookkeeper's report, a copy of which is attached. She was pleased to note that the District had 9.89 months of reserves in the operating fund. After payment of today's bills, the District will have a balance in the operating fund of

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\$4,022,756.68. The capital projects fund stands at \$2,671,955.56. The debt service fund balance is \$1,363,464.66. Director Hembree noted that the Board should not get too excited about the budget surplus, as some of it was attributable to the tap fee paid by the Union and other one-time sources of revenue. Upon unanimous vote, the Board approved the bookkeeper's report and authorized payment of bills listed on the report.

6. There were no customer service inquiries for the Board's consideration.

7. The Board reviewed developer reports. Mr. Carlos Castrejon reported on the activities of Lennar. They have completed the second phase of the detention pond, the capacity of which will provide for both Partial Replat 3 and Partial Replat 4 in Section 8. The contractor is underway with water, sewer and drainage facilities in Partial Replat 4 in Section 8. Another contractor will mobilize for paving on Wednesday. After that, the developer will start on Partial Replat 3. The developer has had 34 closings this year in Section 8. There have been 27 home starts in Section 12 and one closing. Lennar had one more resident reach out to them regarding drainage issues on the lots backing up on Chart. The developer is working with the homeowners to assure that the issues are addressed. The Board questioned the developer regarding the drainage structure between lots 11 and 12 in Section 12, and the engineer noted that this would not be accepted until it was complete and cleaned.

Eileen Fashoro reported that there was not much activity on behalf of Rampart. They would like to begin developing Section 7.

8. The Board reviewed the operations and engineering reports. David Kasper requested and received Board authorization to send a letter regarding the Board's acceptance of the drainage structure between lots 11 and 12 in Section 12 for permanent maintenance. The engineer next presented a vendor summary for potential purchase of a generator. The cost for purchase of a generator ranges from \$141,714 to \$216,896. Even if the District declared an emergency and negotiated bids, the District would not be able to have the generator installed until November, 2017, which would be after the 2017 hurricane season. If the project is advertised and bid, it will be installed by the end of the year. Director Guidry suggested that the Board should table consideration of this item since the District cannot have an installed generator in place before hurricane season begins. The operator noted that EFS will rent a generator to the District for \$16,000 per month plus the cost of installation. Cullen Francis stated that it was the operator's desire to make the portable generator that is currently at the surface water plant a permanent generator for use there. He noted that the tires on the generator trailer were the same as when the generator was purchased, and it has not been moved in some time. The trailer may need to have boards replaced and new tires. There was a lengthy discussion regarding the condition of the portable generator and when it would be used. The operator noted that the generator would only be required to move if the San Jacinto River Authority is not providing well water at the surface water treatment plant. In that case, the generator would need to be moved to Water Plant No. 1. The Board instructed the operator to leave the generator on wheels for this hurricane season to give the District maximum flexibility in the event of a power outage. The Board also instructed the attorney to place an item on the next agenda to discuss the purchase of a permanent generator.

There were no operation matters to discuss.

9. The engineer discussed the cost summary for the Bond Anticipation Note and the Bond Application Report. The engineer is still gathering information from the various developers to compile the cost summary. There was a brief discussion regarding the possibility of conducting a bond election at a future date. Director Hembree questioned the attorney regarding the way the proposition was proposed and the total amount to be requested from voters. The attorney will perform legal research to determine whether the District can write a proposition that take into account only those projects that were not contemplated in the previous bond election.

10. Lori Aylett presented an attorney's report. She received a counter-offer from MUD 525 but had not yet had an opportunity to review it in detail. The Board members noted that since Ms. Arolfo was ill and unable to attend today's meeting, the Board should review the operations contract and proposals for amendment at a special meeting. The District could also undertake to review the MUD 525 proposal at the same time. Director Cox stated his opposition to having any special meetings devoted to MUD 525 without asking MUD 525 to pay the costs associated with the meeting. Other Board members noted that since the District was planning to have a special meeting in any event, the MUD 525 matter could be considered and would not be adding more costs to the District's residents. Upon motion made by Director Guidry, seconded by Director Hembree, the Board voted with a vote of 4 to 1, with Director Cox opposing, to schedule a special meeting to discuss the operations contract and the MUD 525 counter-offer.

11. The Board returned to the developer's report, as Nino Corbett had entered the meeting in progress. Mr. Corbett noted that the first few residents have moved into Newport Court. He believes he has satisfied all requirements with regard to the detention pond and it should be accepted by the District for permanent maintenance.

12. The Board tabled review of the operations contract and a contract with BrightView Landscape.

13. The Board reviewed a proposal from McCann Security for installation of new cameras. The proposal is to upgrade cameras at the surface water treatment plant at a cost of \$10,103, purchase cameras at the wastewater treatment plant at a cost of \$4,071, purchase cameras at the Flying Bridge Park at a cost of \$3,532, and purchase cameras at South Diamondhead Park at a cost of \$4,071. The monthly maintenance for each would be \$200, \$115, \$105, and \$115, respectively. At Port O'Call Park, the District would lease the cameras and would continue to do so and lease the key fob at equipment and access. Director Cox questioned whether the District needed to use the highest quality camera at the surface water treatment plant, since it was occupied by employees of the operator 24-hours per day. The operator noted that the older cameras made it very difficult to read license plates, and there have been past break-ins at the surface water treatment plant. Director Guidry asked if the additional cameras were needed, and Rich Harcrow noted that they were definitely needed at the South Diamondhead Park, wastewater treatment plant, and surface water treatment plant. The Board was in agreement with this assessment. Upon unanimous vote, the Board accepted the proposal of McCann and authorized preparation of contracts, subject to receipt of a 1295 form.

14. The Board tabled consideration of contracts for cleaning of park facilities.

15. The Board had not received the investment officer's disclosure.

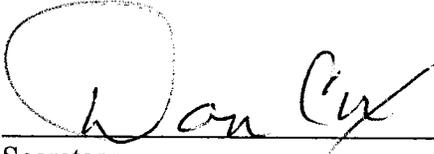
16. The attorney distributed a conflict of interest questionnaire to the Board. The Board members completed the questionnaires, noting no conflicts, and provided copies for the District's records.

17. The operator presented the Emergency Preparedness Plan and prepared the annual updates. Upon unanimous vote, the Board authorized the operator and attorney to update the emergency operations information and critical load status to reflect Rich Harcrow as the primary contact and Cullen Francis as the secondary contact.

18. At 12:00 p.m., the Board convened in executive session pursuant to Texas Government Code §551.071 to discuss pending or threatened litigation and receive legal advice from the attorney. At 12:05 p.m., the Board reconvened in regular session.

19. Under pending business, the Board discussed the need for a special meeting to discuss the operations contract. The attorney will contact the Board members to determine a date suitable for all.

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

  
Secretary