

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Special Meeting of Board of Directors
August 17, 2017

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on August 17, 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
Jim Hembree, Director

and the following absent:

David P. Guidry, Assistant Secretary.

Also present were Carlos Castrejon, Lurn Randell, Robert Santini, Delilah Arolfo, David Kasper, Nino Corbett, Rich Harcrow, Cullen Francis, Debbie Shelton, 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.

The Board noted that the purpose of the meeting was to discuss the cost summary for the upcoming bond anticipation note and bond application report. The attorney noted that at the previous regular July meeting, the Board had elected to go forward with a bond application using only Lennar's development projects. The other developers do not yet have enough homes on the ground to support reimbursement, with the exception of Seven Oaks. However, Seven Oaks has an issue with proving up land costs for the detention pond for which it wants reimbursement, and this would take additional time which could slow down the bond application. It was the consensus of the Board that Seven Oaks could be included in the next bond application with other developers. The purpose of today's meeting is to determine which, if any, District projects should be placed into the upcoming bond application. The next major capital project will be the expansion of the wastewater treatment plant. The question was whether to include funds for the wastewater treatment plant in this bond application or wait until a future bond application. David Kasper addressed the Board and stated that when the District hits 75% capacity at the sewage treatment plant for three months in a row, the District will have to be in design and financial planning for an expansion. Director Hasse asked what was driving the need for expansion, growth in the District or inflow and infiltration. The engineer stated that both factors were driving the need for expansion of the plant. Cullen Francis noted that the District's Handspike and Helmsman lift stations run the most during significant rainfall events, and inflow and infiltration should probably be studied in those sections served by the Handspike and Helmsman lift stations. The engineer noted that was a large part of the District. The engineer stated that the District must be steadily vigilant on removing inflow and infiltration, and this should be a constant maintenance effort. Mr. Kasper noted that the next plant expansion will take

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the plant from 1.3 MGD to 1.66 MGD. It will take approximately one year of permitting and design for the expansion and one and one-half years for construction.

The Board asked the developers present about their plans for housing development and growth projections. Nino Corbett stated that his engineers have completed a master drainage plan and are hoping to submit design plans to the City of Houston for review within the next six months. The Board reviewed the status of sewage treatment plant flows during wet and dry weather. David Kasper stated the opinion that the District does not need to construct a sewage treatment plant expansion with funds from the next bond issue.

Debbie Shelton addressed the Board and stated that interest rates will eventually go up, but she noted that was not necessarily a reason to borrow money for a sewage treatment plant expansion that was not yet needed. There was a lengthy discussion regarding which projects to put into the bond application and if any other District projects were ripe for inclusion. The engineer summarized the rough amounts owed to Lennar. According to the table provided by the engineer, the eligible amount owed for the purpose of the bond application report for the Newport Villas omitted engineer and interest costs of \$68,572.58. Of this amount, the developer can be paid about \$48,000.81 from the proceeds of a BAN. For Section 8 and the detention pond, the eligible amount for reimbursement is \$1,242,907.64, and the developer could be paid about \$812,350.53 from the proceeds of the BAN. In Section 12 (Villas II), the eligible amount for reimbursement is \$789,245.24, of which the developer could receive \$529,351.95 from the proceeds of the BAN. In total, the eligible construction amounts for the purpose of the bond application report are \$2,100,725.46, and the eligible amounts for the BAN are \$1,389,703.28. Nino Corbett briefly addressed the Board and stated that he would have to leave the meeting due to another pending emergency. He stated his opinion that the detention pond that he recently conveyed to the District does not look good and he implored the Board to fix it. The Board stated that they were aware of the situation with the detention pond and were working on a solution.

Discussion returned to what District projects needed to be put into the District's bond issue. After discussion, the Board agreed to include the design and engineering costs associated with the sewage treatment plant expansion in this upcoming bond application report. The engineer will provide a cost summary for the Board's approval at the next regular meeting.

The Board members requested that the attorney send a copy of the law and the Commission rule related to the issuance of bond anticipation notes, and she stated that she would do so.

Under pending business, the attorney noted that the forcible entry and detainer lawsuit against the Veachs has been scheduled for Wednesday, August 23, 2017. An employee of the District's operator will act as a witness. The Board then discussed items to be added to the Monday operations agenda and the Thursday business meeting agenda.

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


Secretary