

Procedures for Election

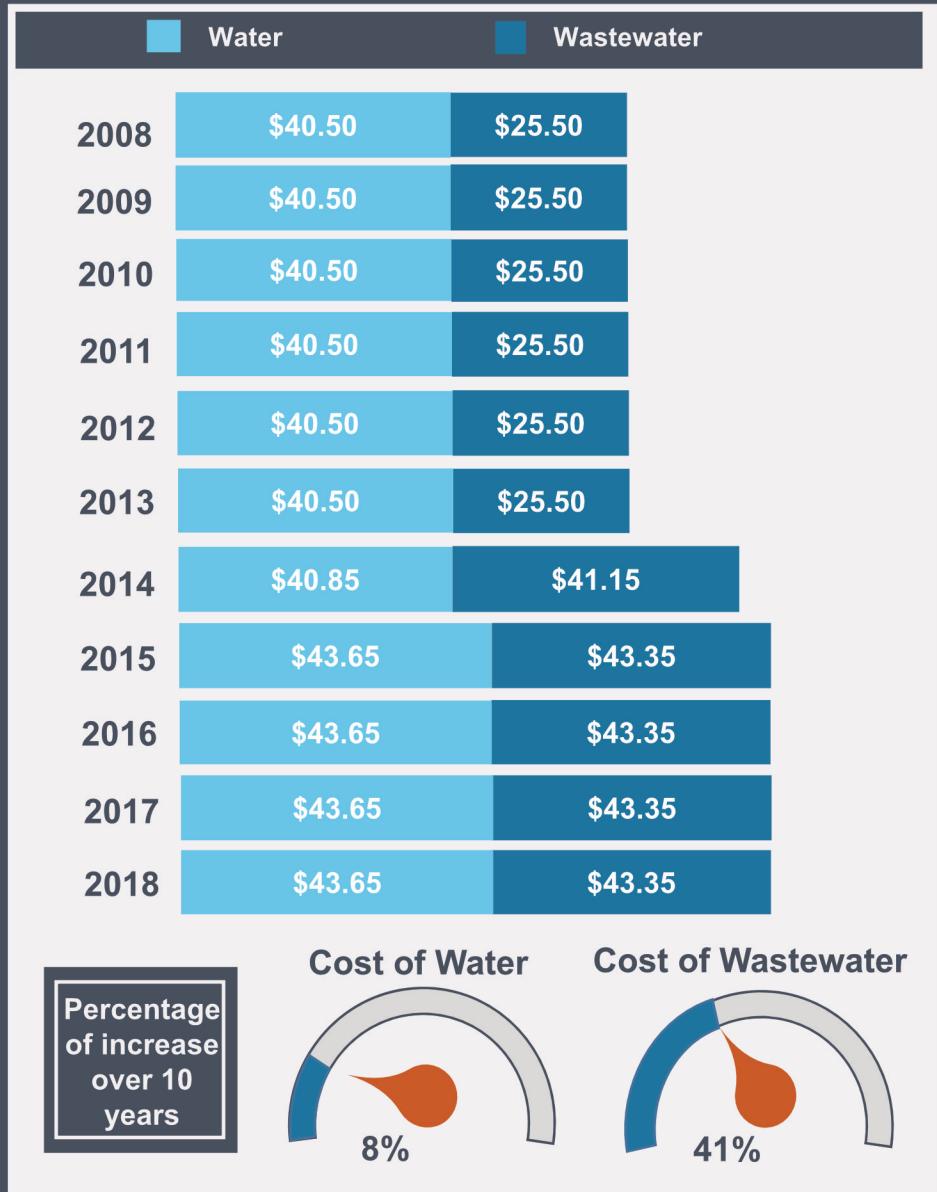
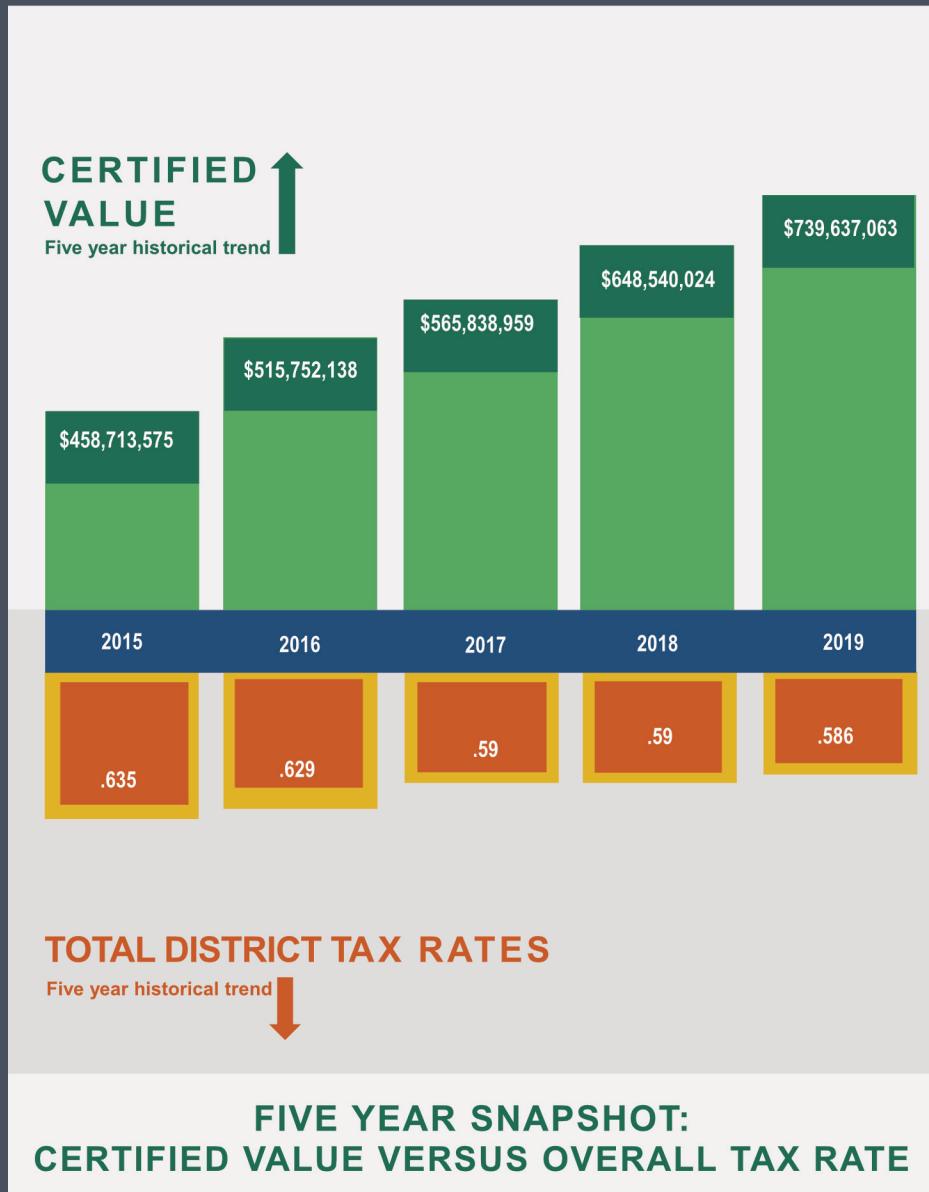
- The Election will be administered by Harris County pursuant to a Joint Elections Agreement with Newport MUD.
- Early Voting
 - Early voting will take place October 21, 2019 – November 1, 2019.
 - Early voting will be conducted at approximately 52 early voting locations for Harris County.
 - The hours for each early voting location are:

October 21 – 26, 2019:	7:00 am – 7:00 pm
October 27, 2019:	1:00 pm – 6:00 pm
October 28 – November 1, 2019:	7:00 am – 7:00 pm
 - For more information: www.harrisvotes.com or 713-755-6965
- Election Day
 - Election Day voting will take place on November 5, 2019, from 7:00 am to 7:00 pm at approximately 757 Election Day Vote Centers for Harris County.
 - For more information: www.harrisvotes.com or 713-755-6965.
 - For best service, bring your voter registration certificate and a valid photo ID.

Bond Authorization vs. Bond Issuance

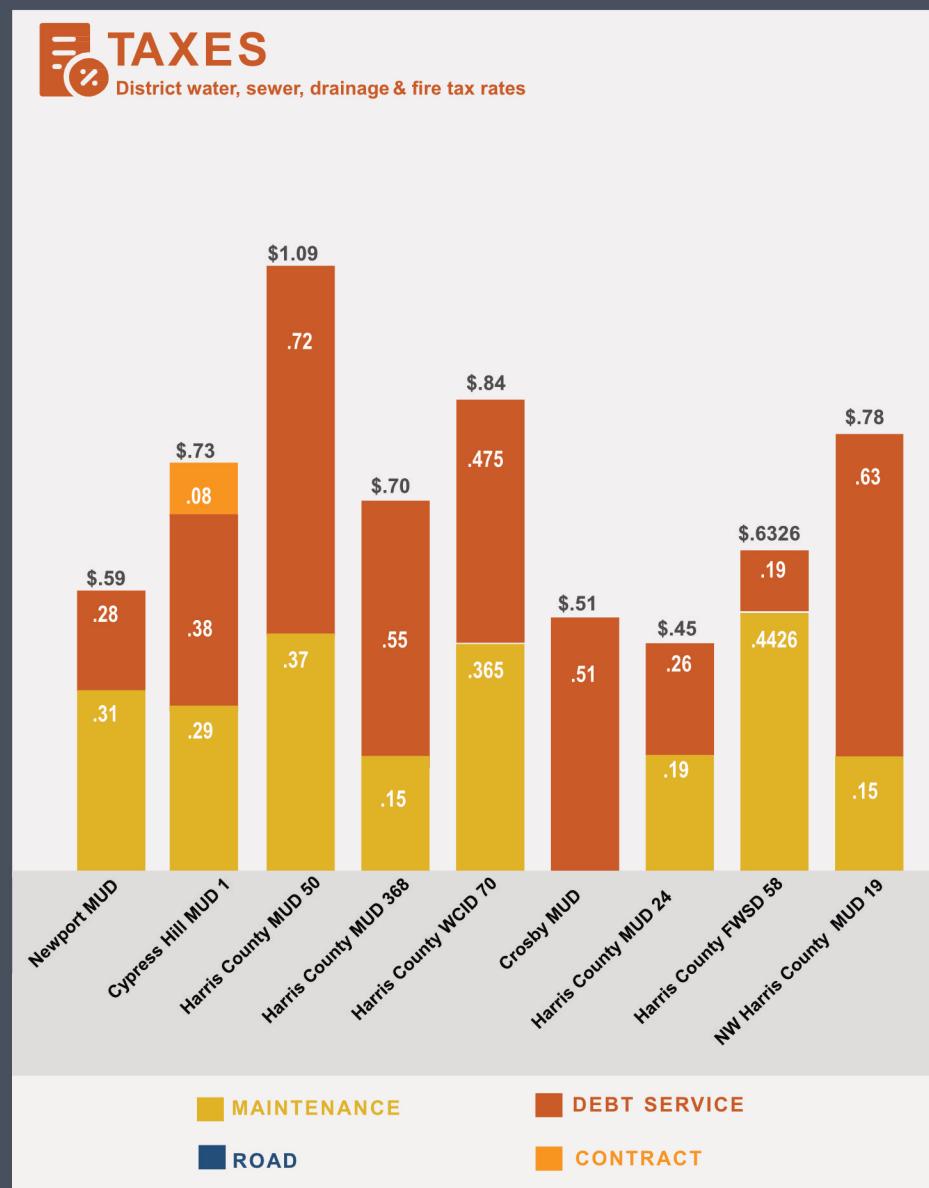
- Bond Authorization
 - Proposition A – Authorizes issuance of up to \$70,000,000 in bonds for WS&D projects and levy of taxes to pay off the bonds – a long-term funding option for the required WS&D projects.
 - The proposition allows for bond issuance flexibility. It includes authorization for “refunding”, which gives the District the option to refinance bonds at lower interest rates if the market is favorable.
 - Authorization means issuing bonds is an option, not a requirement.
 - Bond authorization is similar to a credit line, a sum of money available when Newport MUD needs to use it.
- Bond Issuance
 - If authorized, bonds will be issued in increments, over time, and as needed. Each new bond issue is reviewed and approved by your elected Board, TCEQ, and Texas Attorney General prior to sale.
 - Each new bond issue will be evaluated by your elected Board against other funding options to determine the best alternative for any given project or projects at that time.
 - Bonds are sold at public meetings and pursuant to a competitive bidding process overseen by your elected Board.
 - The text “levy and collection of a sufficient ad valorem tax” on the ballot simply means that Newport MUD can make good on its promise to bond buyers that it can levy the required tax rate, depending on property values, to pay the debt-service payment when due on the issued bonds. This tax pledge is the strongest pledge a governmental entity can make and will allow Newport MUD to borrow at the lowest possible interest rate.

Newport Municipal Utility District: Historical Trends: Certified Value, Tax & Water rates

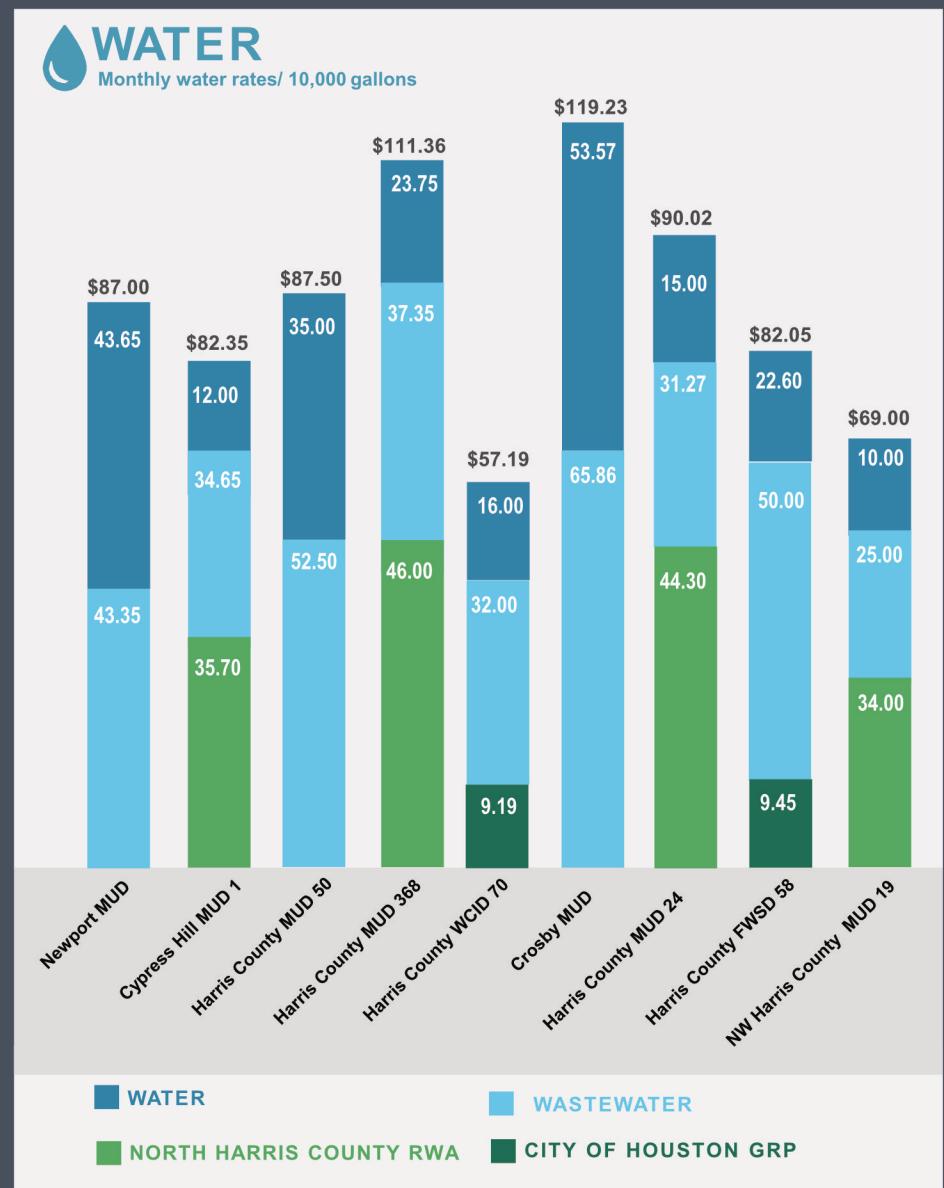


Newport MUD: Tax & Water Rate Comparison

Neighbors and Similar Districts



What is this? A District has several components of their overall Total Tax Rate. This graph only includes the water, sewer, drainage and if applicable, fire services and contract tax. It does not include school district, county, city or other tax rates.



What is this? These are the monthly costs billed by the MUD or City for water, wastewater and other fees, such as fire protection and Regional Water Authority/GRP, for the average home that uses 10,000 gallons per month.

Newport Municipal Utility District

HOW & WHERE WILL THE MONEY BE SPENT?



Surface Water Treatment Plant

23%

Why does this have to be done?

Utility Districts and their infrastructure are tightly regulated by the TCEQ. Much of the District is located in Subsidence District Area 3, and pursuant to their regulations, Area 3 will be required to use 60% surface water by 2025. To comply with this regulation, Newport MUD will have to expand its surface water treatment plant or will be subject to disincentive fees, which amount to significant monetary penalties.



Sewer Treatment Plant

22%

Why does this have to be done?

Newport MUD has experienced strong growth over the last decade, and while growth is good, existing facilities must also grow. The Sewer Treatment Plant is reaching its capacity limit and Texas laws and regulations require the District to expand current capacity to adequately supply not only current residents, but also be able to handle future growth.



Existing Infrastructure

40%

Why does this have to be done?

The existing infrastructure of the District is almost 50 years old. Repairs and rehabilitation of the aging system are a major component of the District's annual expenses. Improving the infrastructure using modern-day parts and technology will greatly support and extend the life of the District facilities as it continues to age.



Future Growth

15%

Why does this have to be done?

The future growth of the District is dependent on the work on the Treatment Plants and existing Infrastructure being completed. When Districts show healthy growth and add connections, home values go up and communities grow. Preparing the District for anticipated growth in the present allows for successful growth in the future.

Historical Tax Information

- The District's Total Tax Rate is comprised of 2 components:
 - Debt Service Tax Rate which is used to pay the principal of and interest on outstanding bonds;
 - Maintenance tax Rate which is used to pay operating and maintenance expenses of the District.
- The District's 2018 Total Tax rate is \$0.59, comprised of \$0.28 per \$100 Assessed Valuation for Debt Service and \$0.31 per \$100 Assessed Valuation for Maintenance.

Year	Taxable Value	Debt Service Tax Rate	Maintenance Tax Rate	Total Tax Rate
2018	\$594,849,177	\$0.280	\$0.310	\$0.590
2017	\$540,376,854	\$0.290	\$0.300	\$0.590
2016	\$491,560,742	\$0.300	\$0.329	\$0.629
2015	\$439,628,227	\$0.335	\$0.300	\$0.635
2014	\$395,763,595	\$0.425	\$0.215	\$0.640
2013	\$361,929,654	\$0.425	\$0.215	\$0.640
2012	\$360,778,837	\$0.425	\$0.215	\$0.640
2011	\$365,667,652	\$0.425	\$0.215	\$0.640
2010	\$363,896,155	\$0.435	\$0.205	\$0.640
2009	\$362,864,434	\$0.455	\$0.185	\$0.640
2008	\$358,203,782	\$0.520	\$0.160	\$0.680
2007	\$343,454,072	\$0.600	\$0.100	\$0.700
2006	\$305,673,005	\$0.600	\$0.100	\$0.700
2005	\$267,743,180	\$0.600	\$0.100	\$0.700
2004	\$248,693,900	\$0.730	\$0.100	\$0.830
2003	\$221,137,000	\$0.750	\$0.080	\$0.830
2002	\$194,295,531	\$0.800	\$0.080	\$0.880
2001	\$185,069,510	\$0.820	\$0.060	\$0.880
2000	\$173,398,613	\$0.940	\$0.040	\$0.980
1999	\$154,064,793	\$1.100	\$0.040	\$1.140
1998	\$139,461,471	\$1.180	\$0.040	\$1.220

Paying for Improvements, repairs and maintenance

SOURCES OF REVENUE FOR SMALLER/LESS EXPENSIVE ITEMS

- Water and Sewer Rates
- Maintenance Tax Revenues - \$1.00 Maximum authorized by Voters. Limitations on amount of increase of maintenance tax rate on annual basis.

SOURCES OF REVENUE FOR MAJOR EXPENSES

Bonds

- Each issue of Bonds is approved by the Texas Commission on Environmental Quality.
- Bonds provide long term financing which is paid for over the life of the facility.
- Bonds can be structured to minimize tax rate impact.
- Each bond issue is reviewed by the District's Board of Directors and will be issued when improvements or repairs are necessary and it is determined that bonds are the most efficient and feasible method to pay for projects.
- Newport MUD has an investment grade rating of "A" from S&P Global Ratings.

“Pay As You Go” vs. Bond Financing for Major Repairs and Rehabilitation

Water and Sewer Rate Assumptions

Projected Number of Connections (2030):	6,201
2030 Projected Assessed Value (includes new homes, some revaluation)	\$1,010,249,913
2030 Average Value of Homestead (same revaluation):	\$186,649

Bond Financing Assumptions

Interest Rate:	4.00%
Years of Level Debt Service:	25
Non-Construction Costs:	15.00%

Water/Sewer Bill Impact

Amount Needed Per Year For Capital Improvements:	Annual	Monthly
\$1,000,000	\$161.26	\$13.44
\$2,500,000	\$403.16	\$33.60
\$5,000,000	\$806.32	\$67.19
\$7,500,000	\$1,209.48	\$100.79
\$10,000,000	\$1,612.64	\$134.39

Debt Service Impact

Bond Issue Size	Annual Debt Service	Debt Service Tax Required*	Annual	Monthly
\$1,175,000	\$75,214	\$0.007	\$13.90	\$1.16
\$2,940,000	\$188,195	\$0.019	\$34.77	\$2.90
\$5,880,000	\$376,390	\$0.037	\$69.54	\$5.80
\$8,825,000	\$564,906	\$0.056	\$104.37	\$8.70
\$11,765,000	\$753,101	\$0.075	\$139.14	\$11.59

**In addition to Debt Service tax rate required for currently outstanding bonds.*

PROCESS FOR ISSUANCE OF BONDS

Assuming that voters approve the issuance of bonds, the process for issuing those bonds is still lengthy and subject to considerable oversight, by both state regulators and by your elected Board. The process for issuing bonds includes several steps and safeguards, including the following:

Bond proceeds can only be spent for the purposes in the bond proposition—water, sewer and drainage.

The District engineer will identify proposed projects for funding and present to your elected board for consideration and approval.

At a public meeting, the board will review and approve a proposed cost summary for the projects and authorize the engineer to prepare a bond application report. The bond application report is a comprehensive and detailed report in a format prescribed by rules of the Texas Commission on Environmental Quality (“TCEQ”). The process of preparing the report typically takes 2-3 months. Newport MUD’s financial advisor will review the proposed cost summary and analyze the tax rate impact and report to the board.

Upon the engineer’s completion of the bond application report, the board will review it again at a public meeting and approve it in final form and authorize it to be submitted to the TCEQ.

The TCEQ will conduct a thorough review of the bond application report and Newport MUD, including an economic and engineering analysis of Newport MUD and the proposed bond issue. This process can take from 60 days to over 6 months.

Assuming that everything is in order, the TCEQ will issue an order approving the engineering projects and the issuance of bonds.

The board must advertise for public bids for the bonds, and award of the bond sale will occur at a public meeting. The financial advisor will review all bids and make a recommendation to the board about the award of the bonds. The bonds are awarded to the bidder that provides the lowest net interest cost to Newport MUD.

After the bonds are sold, Newport MUD’s attorney will prepare a detailed legal transcript of the proceedings for the bonds, and that transcript is submitted to the Attorney General for approval. The time between sale of the bonds and receipt of Attorney General approval is typically 30 days.

Newport MUD cannot close on the sale of its bonds without the approving opinion of the Attorney General of the State of Texas.

Before Newport MUD can spend the money it receives from bonds, the plans and specifications for the projects must be approved by all regulatory bodies with jurisdiction. The infrastructure projects must be publically bid and awarded. The engineer will review all bids and make a recommendation to award. All projects are awarded by the Board at public meetings.

Before Newport MUD can purchase existing infrastructure, that infrastructure must be inspected by the TCEQ, and Newport MUD must audit expenditures relating to the construction of those facilities.

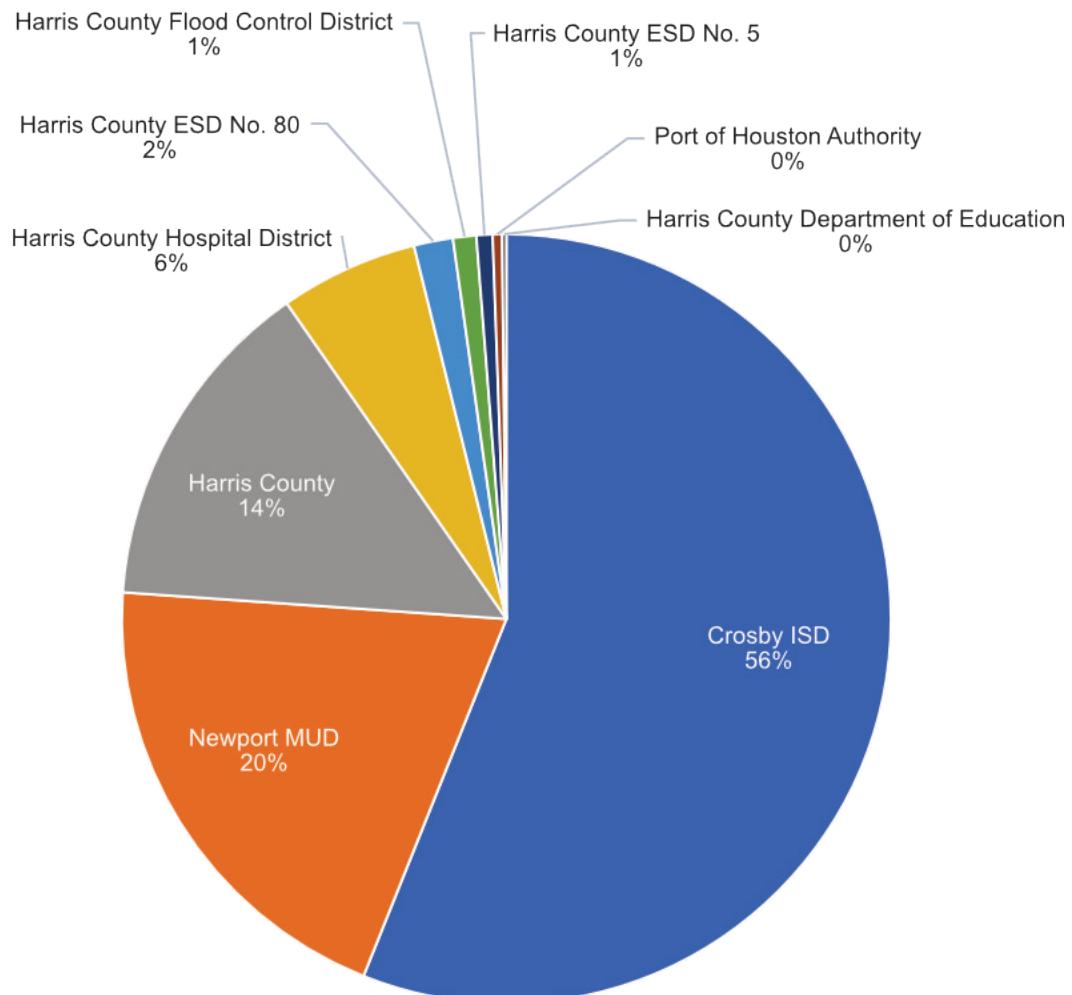
Newport MUD

2019 Average Home Value in Newport MUD (from Harris County Appraisal District)

\$181,146

Property Taxpayers in Newport MUD pay taxes to the following taxing jurisdictions:

	<u>2018 Tax Rate</u>
Harris County	\$0.41858
Harris County Hospital District	\$0.17108
Harris County Flood Control District	\$0.02877
Harris County Department of Education	\$0.00519
Port of Houston Authority	\$0.01155
Crosby ISD	\$1.65000
Harris County ESD No. 80	\$0.04833
Harris County ESD No. 5	\$0.01991
Newport MUD	<u>\$0.59000</u>
Total Tax Rate	\$2.94341

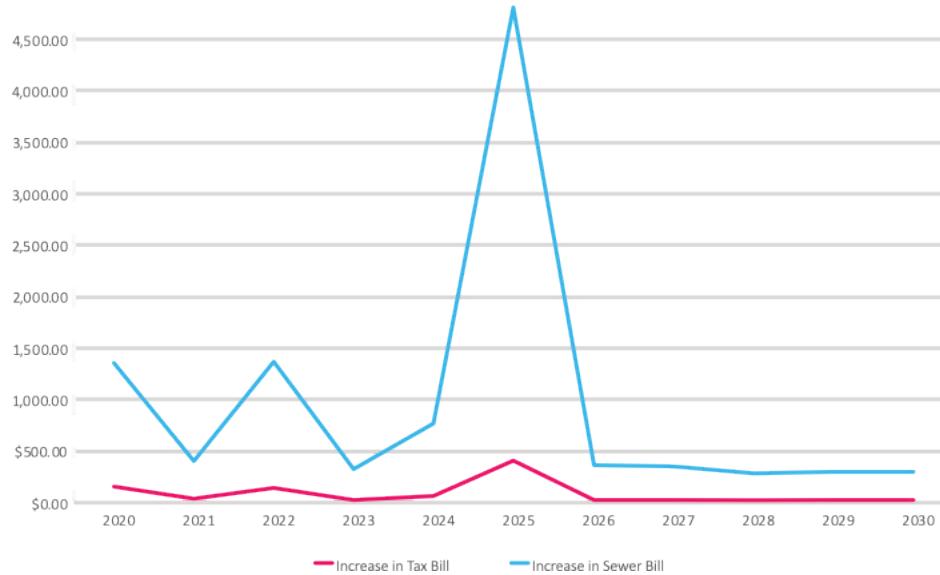


Newport MUD

Information below is based on estimated bond issue sizes, estimated interest rates, projected assessed values and projected timing.
If any of these estimates or projections change, the tax rates may change. Interest Rate estimated at 4%

	Current	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Bonds issued per Capital Improvement Plan			\$2,905,000	\$10,025,000	\$2,345,000	\$5,655,000	\$35,080,000	\$2,640,000	\$2,570,000	\$2,080,000	\$2,235,000	\$2,220,000	\$77,670,000
Debt Service Tax Rate	\$0.28												
Additional Tax Rate		\$0.090	\$0.023	\$0.076	\$0.017	\$0.037	\$0.226	\$0.017	\$0.016	\$0.013	\$0.014	\$0.014	\$0.543
Number of Connections	6,201												
Average Home Value	\$181,146												
Additional \$ on tax bill		\$162.95	\$42.26	\$138.08	\$30.04	\$66.88	\$408.71	\$30.61	\$29.65	\$23.87	\$25.65	\$25.48	\$984.18
CUMULATIVE		\$162.95	\$205.21	\$343.29	\$373.33	\$440.21	\$848.92	\$879.53	\$909.18	\$933.05	\$958.70	\$984.18	
Additional \$ as sewer charge increase		\$1,359.10	\$398.20	\$1,374.17	\$321.44	\$775.16	\$4,808.58	\$361.88	\$352.28	\$285.12	\$306.36	\$304.31	\$10,646.59
CUMULATIVE		\$1,359.10	\$1,757.30	\$3,131.47	\$3,452.91	\$4,228.07	\$9,036.65	\$9,398.52	\$9,750.81	\$10,035.92	\$10,342.28	\$10,646.59	

Cost Change Each Year



Cumulative Cost Over Time

