

## NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

February 15, 2024

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16401 Country Club Drive, Crosby, Texas, on February 15, 2024, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Margarette Chasteen, President  
DeLonne L. Johnson, Vice President  
Deborah Florus, Secretary  
Earl B. Boykin, Assistant Secretary  
R. Gary Hasse, Director

and the following director absent:

None.

Also present were, Kelly Shipley, Abby Stanhouse, Rich Harcrow, Jeff Baughman, Clint Sutton, Andrea Martin, Juan Alexander, Debbie Shelton, Delia Yanez, David Patterson, Jorge Diaz, Justin Waggoner, Peggy Boone, Stephanie Fregia, Brandon Lankford, Lori G. Aylett, and Douglas McNiel.

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

1. The Chair entertained public comments. Peggy Boone and Stephanie Fregia introduced themselves as representatives of Fairway Port Condos. They informed the Board that the condos received extraordinarily high water bills in November and December 2023, and they are seeking an adjustment from the Board. The Board and the operators discussed the adjustment. Upon unanimous vote, the Board agreed to adjust the Fairway Port Condos November and December 2023 water bills to the yearly average.

2. Minutes of the meeting of January 18, 2024 were presented for the Board’s review and approval. Upon unanimous vote, the minutes were approved as presented.

3. There was no garbage collection report presented.

4. Kelly Shipley presented the engineer’s report, a copy of which is attached. First, Ms. Shipley presented Pay Estimate No. 11 and Final to Crostex Construction, Inc. for construction of the Water, Sanitary Sewer, Force Main and Drainage Facilities and Paving and Appurtenances to serve North Diamondhead Boulevard Phase 1 and Newport Pointe Section 1 in the amount of \$218,622.231. Upon unanimous vote, the Board approved Pay Application No. 11 and Final. Then Ms. Shipley presented Pay Application No. 2 to Crostex Construction, Inc. for construction of the Water, Sanitary Sewer, Force Main and Drainage Facilities and Paving and Appurtenances to serve Newport Pointe Section 2 in the amount of \$221,232.83. Upon unanimous vote, the Board approved Pay Application No. 2. Then, Ms. Shipley presented Pay Application

No. 1 to Crostex Construction, Inc. for construction of the Water, Sanitary Sewer, Force Main, and Drainage Facilities and Paving and Appurtenances to serve Newport Pointe Section 3 in the amount of \$61,127.58. Upon unanimous vote, the Board approved Pay Application No. 1. Then, Ms. Shipley presented Pay Application No. 2 to Crostex Construction, Inc. for construction of the Water, Sanitary Sewer, Force Main, and Drainage Facilities and Paving and Appurtenances to serve Newport Pointe Section 4 in the amount of \$401,742.36. Upon unanimous vote, the Board approved Pay Application No. 2. Then Ms. Shipley presented Pay Application No. 7 to AR Turnkey Construction Co., Inc. for South Diamondhead at Gum Gully Utility Relocation in the amount of \$662,934.60. Upon unanimous vote, the Board approved Pay Application No. 7.

Next, Ms. Shipley presented the four bids that the District received for the Sanitary Sewer Phase 4 Rehabilitation and recommended that the Board award the contract to Nerie Construction, LLC for the base bid amount of \$901,920.50 and 180 calendar days' construction time. Upon unanimous vote, the Board awarded the contract for the Sanitary Sewer Phase 4 Rehabilitation to Nerie Construction, LLC. Then, Ms. Shipley presented two utility commitments to the Board: (i) Newport Pointe Section 5 and (ii) Mio Carwash. Upon unanimous vote, the Board approved the utility commitments.

Next, Ms. Abby Stanhouse updated the Board on the status of the engineer's review of the pump issues at Water Plant No. 1. The engineers are progressing in their investigation and are waiting on the results of the performed tests. Then, Ms. Stanhouse provided an update on the surface water treatment plant expansion. The engineers are addressing the comments from the Texas Commission on Environmental Quality ("TCEQ").

Lastly, Ms. Shipley presented the supplemental engineer's report. Ms. Shipley presented Pay Application No. 8 to Cruz Tec, Inc. for Sanitary Sewer Phase 3 Rehabilitation in the amount of \$20,228.40. Upon unanimous vote, the Board approved Pay Application No. 8.

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

5. Lori Aylett provided a brief attorney's report. She presented an update on her conversations with the representatives of the International Union of Engineers ("IUOE") regarding the IUOE's plans to install a water storage tank at their site.

6. Debbie Shelton presented a financial advisor's report. She reviewed a cash flow analysis for Newport Defined Area 1. She advised the Board to have the engineer begin preparing the Bond Application for Defined Area 1. Upon unanimous vote, the board authorized the engineer to prepare the Bond Application for Defined Area 1.

7. Delia Yanez presented a tax assessor collector's report, a copy of which is attached. 2022 taxes were 99.50% collected and the 2023 taxes were 84.01% collected. Nine checks were presented for the Board's review and approval, and two wire transfers were made. Lastly, Ms. Yanez informed the Board that she is refocusing her work at Assessments if the Southwest, Inc. and will no longer attend the Board meetings. Ms. Rhonda Gideon, RTA will take over the attendance at the Board meetings. Upon unanimous vote, the Board approved the tax assessor collector's report as presented.

8. There was presented the attached Resolution Authorizing Petition Challenging Appraisal Records. The attorney noted that the preliminary tax roll comes out in May, and the tax assessor has a limited amount of time to challenge any errors or omissions that she sees on the preliminary roll. The tax assessor should be authorized to make such challenges on the District's behalf. Upon unanimous vote, the Board approved the Resolution as presented.

9. Jorge Diaz presented a bookkeeper's report, a copy of which is attached. He reviewed the checks and invoices with the Board in some detail. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills with checks listed thereon.

10. The Board discussed an operations and billing collection report, a copy of which is attached. The District accounted for 89% of the water produced. Director Chasteen and the operator reviewed several work orders.

Upon unanimous vote, the Board approved the report as presented.

11. The Board tabled the consideration of utility account write-offs until the District's March meeting.

12. The attorney noted that the District was required to review the Federal Trade Commission ("FTC") identity theft red flag program on an annual basis. The attorney recommended that no changes be made to the program. Accordingly, upon motion duly made, seconded and unanimously carried, the Board voted unanimously to adopt the attached Resolution Affirming Identity Theft Prevention Program.

13. The District's operator, tax-assessor collector, and bookkeeper updated the Board on their preparedness for cyber security and ransomware attacks. The consultants informed the Board on their insurance coverage for cyber security incidents and the security provisions such as two-factor authentication and daily server backups that they have implemented to protect the District if a cyber incident occurs. Director Johnson, who requested this review, stated that he is satisfied with the consultants' security measures.

14. Ms. Aylett informed the Board that the District's contract with CityWide Audio for Surface Water Plant, Water Treatment Plant, Flying Bridge Plant and South Diamondhead Plant is up for its annual renewal. Upon motion duly made, seconded and unanimously carried, the Board voted unanimously to renew the District's contract.

15. The operator and the engineer reviewed the status of the lead service line inventory. In compliance with TCEQ regulations, the District is on track to have the inventory complete by the TCEQ's October 16, 2024 deadline.

16. The Board discussed a parks and recreational facilities report, a copy of which is attached. 1,412 key fobs have been distributed. Upon unanimous vote, the Board approved the parks report as presented.

17. Ms. Aylett provided an update on the District's negotiations with USIC for utility locating and marking services. The Board and the attorney agreed to table the negotiations

with USIC until the Board can meet and discuss utility locating and marking services with Si Environmental.

18. There were no developers' reports presented.

19. Directors Chasteen and Johnson updated the Board on their negotiations with Touchstone District Services ("Touchstone") and they introduced Mr. Justin Waggoner, a Touchstone representative, to the Board. Mr. Waggoner introduced the services Touchstone will provide to the District. The District's attorney informed the Board that she has reviewed the agreement with Touchstone and Touchstone has accepted her comments. The District is engaging Touchstone for consulting services including: website and compliance maintenance, emergency alert system, and election education support. Upon unanimous vote, the Board approved the Touchstone consulting agreement.

20. Upon unanimous vote, the Board authorized the termination of the District's contract with Off Cinco.

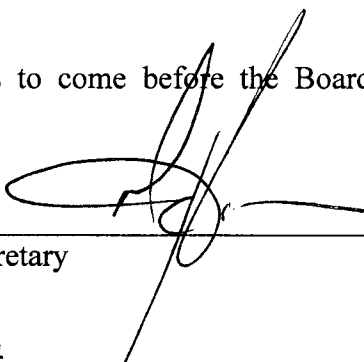
21. Ms. Aylett then discussed with the Board the requirements of Texas Local Government Code Chapter 203, Subchapter D (Senate Bill 625). The law requires districts to annually provide certain records and information concerning the District's finances and tax rates to the Texas Comptroller of Public Accounts. The comptroller has created a special information database on their website, where the information will be assembled, updated, and made available to the public free of charge. The required information is already publicly available in other places, but the law requires submission of the information to the comptroller. The information includes the name of the District, the names of the Board members, any employees, addresses, websites if applicable, names of certain consultants, the total amount of bonds authorized by District voters, the aggregate principal amount of bonds issued, the tax rate, and audited financial information. Upon unanimous vote, the Board authorized the attorney to prepare and file the required report by the April 1, 2024 deadline.

22. There was presented the attached Order for Election of Directors. The attorney noted that if an election were required to be held, it would be held on the uniform election date of Saturday, May 4, 2024. Upon unanimous vote, the Board adopted the Order as presented.

23. The Board and the operator discussed public education and outreach. Additionally, Mr. Waggoner presented different options for presenting District outreach on the District's new website managed by Touchstone.

24. Ms. Aylett presented three groundwater reduction contracts with James R. Crane; Remy Jade Generating; and W & P Development. The Board approved the three groundwater reduction contracts as presented.

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

  
Secretary