

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
January 25, 2018

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on January 25, 2018, 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 director absent:

None.

Also present were Delia Yanez, Allyson Baker, Andrea Martin, Earl Boykin, Eileen Fashoro, 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 December 18, 2017 and December 21, 2017 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The Board entertained developer reports. Eileen Fashoro addressed the Board and stated that Rampart has 11 acres under contract to Rochester, and they are working on their plan. She presented a map of Newport Property Owners Association facilities and Rampart facilities and requested that the District engineer proof her map for inclusion of all of the new sections that are in the MUD.

Nino Corbett addressed the Board and stated that he has developed 68 lots in Newport Court. Weekly has purchased 23 of the lots, 20 of which have been sold, two are under construction, and one remains unsold. Mr. Corbett also has a land plan for the defined area and does not believe that there will be residents in the defined area by the end of 2018.

3. Under customer service inquiries, Director Cox commended the operator for their work during the freeze.

4. The attorney briefly discussed a proposed reimbursement agreement with Newport Pointe, Ltd. for the Newport Defined Area. The attorney stated that she had provided a draft of the agreement to financial advisor so that she could review the tax rate test.

5. The attorney asked the Board to defer consideration of the conveyance of land from Newport Seven Land to the District to the next meeting. Representatives of Newport Seven Land plan to be in attendance.

6. The Board considered the annual CPI adjustment to the groundwater contracts. The attorney noted that the CPI adjustment from last year to this year was 1.960594%, which would result in a price per 1,000 gallons for groundwater agreements of \$3.51, effective March 1, 2018. The attorney also suggested that the Board access a \$500 document preparation fee, as the Subsidence District has begun asking for more information in conjunction with processing these groundwater reduction contracts. Finally, the Board agreed that it would be appropriate to add a late payment fee in multi-year contracts of 15%. Upon unanimous vote, the Board authorized the attorney to offer groundwater reduction contracts under the price and conditions discussed.

7. Delia Yanez presented a tax assessor/collector's report, a copy of which is attached. 2017 taxes were 65.61% collected. All prior years were 99% collected or better. 16 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.

8. The Board considered tax exemptions for the year 2018. There was presented the attached Order Adopting Residence Homestead Exemption for Persons Sixty-Five or Older or Disabled. The attorney noted that in previous years, the Board had authorized an exemption of \$20,000 of the market value of each residence homestead within the District of individuals who are disabled or 65 years of age or older. Upon adoption of this Order, the same exemption could be provided for the 2018 tax year. The tax assessor confirmed that 92 persons were eligible for the disabled exemption and 570 persons were eligible for the over 65 exemption. Director Hasse noted that he would prefer a \$40,000 exemption for over 65 and disabled. After discussion, upon motion duly made, seconded and carried with a vote of four to one, with Director Hasse opposing, the Board voted to adopt the Order as presented reflecting an exemption of \$20,000.

9. There was presented the attached Order Levying Additional Penalty for Delinquent Taxes. The order levies a 20% penalty on 2017 delinquent taxes for business personal property on April 1, 2018 and for real property on July 1, 2018. Upon unanimous vote, the Order was adopted as presented.

10. Allyson Baker presented a bookkeeper's report, a copy of which is attached. The District's general fund contains \$4,219,098.11 and the capital projects fund balance is \$1,810,640.75. The District's debt service fund balance is \$2,117,462.92. The District has 8.18 months of operating funds in reserve. Directory Guidry stated that he had reviewed the operator invoices, and it was his opinion that the operator had prepared the invoices correctly for staffing up as a result of the winter storm. Director Guidry noted that the freeze lasted for 48 hours and there were eight people in the District on overtime duties. Andrea Martin confirmed that the extreme cold did comprise an extreme weather condition, and therefore the operator staffed the office so that they remained in the District overnight and could respond to broken pipes at District facilities and an customer homes. The operator confirmed that the Board

President was contacted in advance and gave authorization to staff for the emergency. There was a discussion regarding whether the situation qualified for emergency staffing and whether it was appropriate for the President of the Board to make that determination. The attorney noted that when there are serious weather conditions, it is not always possible to have a full Board meeting to authorize the operator to act. In these circumstances, past practice has been for the operator to contact the Board President for authorization of the necessary actions. Director Hembree stated his opinion that the contract with the operator should be more specific about when emergency conditions are warranted and when hazard pay will be instituted. The Board may also wish to consider amendments to its emergency preparedness plan to make sure the procedures are clear about who is contacted and when hazard pay is instituted. Director Hasse asked for an item to be placed on next month's agenda to establish procedures for reacting to an emergency and instituting hazard pay. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed thereon.

11. Andrea Martin presented a report from Aggressive Waste regarding garbage collection and noted that there were no missed pick-ups. Two yellow tags were issued for non-compliant household trash. There were no yellow tags issued for heavy trash and there were no missed pick-ups.

12. The operator presented a proposed list of accounts recommended for write-off in the total amount of \$9,104.43. The Board discussed the accounts in some detail. Of the accounts that were over \$200, nine of them were owners and three were renters. This would appear to indicate that the renters' deposit was taking care of most of the issues with regard to those residents. In response to a question from the Board, the operator noted that she had pursued collection agencies in the past but they took at least one-half of the amount and it seldom resulted in significant collections. The Board suggested removal of three accounts from the list, as it appears those people may be able to be located. Upon unanimous vote, the Board approved the write-off list as revised.

13. Lori Aylett presented an attorney's report. She reported that Van Manor would like another groundwater reduction contract at price of \$9,672, and the Board approved the contract as presented. The attorney also presented a calendar of annual events.

The attorney next discussed the groundwater reduction and water supply contract with HCMUD 525. She noted that the payment of \$250,000 for capacity, the first of four, will soon be made by MUD 525. She then discussed the procedure for invoicing MUD 525 for water pursuant to the contract. She noted that there was an ambiguity in the contract because in Section 3.04 and in the exhibit, the contract states that the price is to be paid on a monthly basis during each billing month during the term of the agreement, and such billings are based upon the exhibit. However, in Section 3.01 of the agreement, Newport agrees to sell to MUD 525 water commencing on the interconnect date, which is defined as the date that the systems would be connected, which was anticipated to be January 1, 2018. Director Hembree stated his opinion that Newport should not begin billing for water used until MUD 525 makes the interconnect, which is now not anticipated for several months. The attorney noted that the course of dealing between the two parties during negotiations and during the exhibit preparation indicated that the contract would be paid on a take-or-pay basis beginning in January. The attorney recommended that the District begin invoicing MUD 525 in February for the amount reflected on the exhibit for

January water projected to be used. There was considerable discussion regarding the matter. Director Hembree expressed disappointment in the law firm for recommending that a bill be sent before the connection to MUD 525 was made. After a full discussion, upon motion made by Director Guidry, seconded by Director Chasteen, the Board voted with a vote of three to two, with Directors Cox and Hembree opposing, to begin sending the invoices to MUD 525 for January water projections in accordance with the exhibit to the contract.

14. The Board briefly discussed the Union Detention Pond Maintenance Agreement. The attorney asked the Board to table consideration as she had not yet obtained final comments from all of the consultants. The Board concurred.

15. The Board discussed operations and engineering matters. The engineer requested and received authorization to advertise for bids for the water distribution system improvements to cross Gum Gully. The District will use 2016 bond proceeds to fund the project. The engineer reported that Well No. 1 has a strong sulfur odor, and he believes that corrosion is causing the issue. The engineer is going to clean and paint the tanks in an attempt to control the issue. The engineer issued a Notice to Proceed for the purchase of Generator No. 1. The bookkeeper completed a credit application, and proceeds from the general fund will be used to purchase the generator. By next month, the engineer and operator should complete the FEMA damage inventory.

16. The Board discussed acceptance of the Rochester detention pond. Rochester has indicated that the pond is ready to be conveyed, but the engineer and operator have not completed final inspections. The pond should be in acceptable condition for maintenance. This item will be deferred to the next agenda.

17. The Board discussed a temporary access authorization with CenterPoint Energy. CenterPoint would like to use the District's access road to its sewage treatment plant, along with the access road through Rampart property, for concrete trucks, boom trucks, bucket trucks and light crew pickup trucks to repair power lines on their easement to the south of the sewer plant. The attorney has reviewed the draft of the agreement and the engineer added language to protect the District and to specify the type of repairs that will need to be made to the road so that it can be traveled upon by CenterPoint's personnel. Upon unanimous vote, the Board approved the access easement as presented.

18. The Board discussed the District website. Director Hasse noted that the District has several website addresses, including NewportMUD.org and NewportMUD.com. He noted that election materials for the defined area were still on the website. Director Cox noted that he had developed and maintained the website at no charge to the District. Director Hasse noted that he would like the Board to consider alternatives for having a website administered by an outside company. Director Guidry noted that he did not personally see the need for a website and people who wanted to know about District business could come and attend the Board meetings. Director Chasteen noted that the younger generation of District residents is using the internet, and that is how they obtain information. Director Cox stated that he had no objection to having someone else perform website maintenance. The attorney noted that there were firms available who could do website maintenance at reasonable rates. Director Hasse asked that the item remain on the agenda for additional discussion.

19. 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 5, 2018. Upon unanimous vote, the Board adopted the Order as presented. The attorney noted that there had already been considerable interest in the applications, so it is her belief that there will be an election.

20. There was presented the attached Resolution Expressing Official Intent to Reimburse Costs of Certain Improvement Projects. The attorney noted that the District was planning to expend money for certain District projects and then be reimbursed from the proceeds of the 2018 bonds. Upon unanimous vote, the Board approved the Resolution as presented.

21. The Board considered pending business. The Board discussed a rate for Christine Matzonkai, who is an employee of Professional Utilities Services, Inc. who does not currently assist in District projects. For purposes of FEMA reimbursement, the District needs to establish an hourly rate for this clerical worker, and the Board established a \$60 per hour rate. In addition, Delilah Arolfo reported that the District was eligible to participate in a pilot program for administrative costs, and the District would not have to itemize each cost but could instead rely upon a 4% cap. The operator will continue to review the FEMA regulations to determine the most advantageous path for the District to take.

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

  
Secretary