

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
February 22, 2018

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on February 22, 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 Jim Grisham, DeLonne Johnson, Debbie Shelton, David Kasper, Delia Yanez, Allyson Baker, Andrea Martin, Carlos Castrejon, Nino Corbett, Rich Harcrow, Cullen Francis, George House, Grace Kelley, Roy Chambers, Mary Chambers, Chad Rochester, Jana Laramore, Sherry Weller, Leticia Balderrama, 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 January 22, 2018 and January 25, 2018 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. Carlos Castrejon presented a developer's report on behalf of Lennar. Section 8, Partial Replat No. 4 is complete, and three homes are under construction. In Partial Replat No. 3, the developer is dealing with reconfiguration of the lots due to an easement issue. They expect to start homes in June. In response to a question from the Board, Mr. Castrejon stated that the pocket park would likely be taken over by the property owners association.

Chad Rochester presented a report on behalf of his development. In Section 9, signage has been put up and they are waiting on CenterPoint to get lights. On the 11-acre site across the street from the water plant, it appears that the developer will have a shortage of dirt. He requested that the Board allow the use of fill dirt from the sewage treatment plant site. The Board stated that they would take the request under advisement.

Nino Corbett briefly reported on the status of his development. He has provided an analysis of anticipated values to be added by homes in the Defined Area to the Board President and to Director Hembree. He is going to work with the financial advisor and attorney regarding formulation of the reimbursement contract for issuance of Defined Area bonds.

3. The Board considered customer and taxpayer inquiries. Mr. George House addressed the Board and stated that he was an avid user of the District's parks and trails. He reported that the trails were covered with dirt and mud after the heavy rains. He asked the Board if the operator had the necessary equipment to clean-up the trails. It appears to take a lot of time to clean the muddy areas. He stated that the mud gets on the trails often enough that the District needs to address the issue promptly. The Board thanked him for his comments.

Grace Kelley addressed the Board and asked if the District could offer exemptions for over 65 and disabled. The attorney explained that the District does offer a \$20,000 exemption from taxation for over 65 and disabled, and this exemption is considered on an annual basis in January. Ms. Kelley then discussed a billing issue that she recently experienced.

4. The Board discussed a reimbursement agreement with Newport Pointe, Ltd. for the Defined Area. The attorney presented the draft of the proposed agreement and discussed it with the Board in some detail. The attorney pointed out differences with the Defined Area agreement and the District's standard reimbursement agreement. Director Hembree stated that he would like to have a workshop meeting with other Board members to discuss items related to the remaining voted District authority, the Defined Area, and the bond election that was conducted in 2005. The Board tentatively scheduled a special meeting for 10:00 a.m. on March 6, 2018.

5. The Board reviewed a request from Newport Seven Land for conveyance of certain park reserves. Mr. Jim Grisham addressed the Board and stated that they would like to convey any reserves that the District wants to take. He stated that whatever the Board did not want, they will try to convey to the NPOAN. The developer would like to be paid for the reserves. They also want to be paid for the detention pond and lift station land costs and engineering that were left out of the 2016 bond issue. The attorney advised Mr. Grisham that the District's agreement for reimbursement with the predecessor to Newport Seven Land had expired by its own terms. The Board asked the developer to provide a map showing the reserves that are proposed to be conveyed.

6. Delia Yanez presented a tax assessor/collector's report, a copy of which is attached. 2017 taxes were 86.15% collected. 12 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.

7. There was presented the attached Resolution Authorizing Challenge to the Appraisal Roll. The attorney noted that the preliminary tax roll comes out in May, and the tax assessor has a limited amount of time to review the roll and challenge any errors or omissions that are found. 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.

8. Allyson Baker presented a bookkeeper's report, a copy of which is attached. The District has nine months of operating funds in reserve. The District received its first capital payment from Harris County MUD No. 525 in the amount of \$250,000. The Board noted that the money should not be shown as income in the District's budget. Instead, they

requested that the bookkeeper set up a separate page to show the \$250,000, and the District will use the proceeds for capital items.

9. The Board reported on the status of operations and engineering matters. The engineer stated that he is going out for bid for the Gum Gully crossing, and the bid opening will be March 15, 2018 at 2:00 p.m. A pre-bid conference will be held on March 8, 2018. In 2006, the engineer did an analysis on the capacity of the lines that are now serving Newport Court. It appears that the District can serve the first 125 homes that are projected in the Defined Area and still serve those lots that have been platted in Newport Court.

Andrea Martin gave a report on District operations. There were no missed pick ups and no yellow tags for non-compliant household garbage. Director Cox noted that there had been one missed pick up on his street, but he did not notice that on the report. The operator will ask the garbage contractor for more information. The Board briefly reviewed options presented by McCann for the addition of a camera at South Diamondhead Park. The Board asked for the operator to bring other options. Director Hasse will attend the crime watch meeting for the subdivision and get input from them.

After lengthy negotiations with the insurance carrier, the operator has a proof of loss for the District's approval. The insurance carrier has agreed to pay 100% of all operations charges for the extra expense and some other miscellaneous items. The total being paid at this time is \$390,338.30. Many of the boiler and machinery claims are still pending. The Board praised the operator for her actions in negotiating with the insurance carrier for payment of the claim and approved the proof of loss as presented.

Delilah Arolfo then discussed the status of the Union detention pond. She met with representatives of the Union and with the County. The pond is not yet ready for District acceptance and maintenance. The Union needs to add a bar screen and the County is requiring some changes to the configuration of the pond.

Delilah Arolfo then commented on the status of inflow and infiltration in the District post Hurricane Harvey. Recent rainfalls have demonstrated that there is a tremendous acceleration of the inflow and infiltration. The operators noted that the lift station run times have doubled in some cases, and this is unusual. The engineer televised the large lines pre and post Harvey and proved that the hurricane caused significant damage to those lines. Trunk line replacement projects have been placed in the mitigation project with FEMA.

Upon unanimous vote, the Board approved the operations and engineering reports as presented.

10. The Board discussed policy and procedures for implementation of emergency conditions and assessment of hazard pay. The attorney noted that traditionally, the operator has contacted the Board President for authority to declare an emergency condition. During the past ice storm, there was question by some Board members about whether declaration of such condition was justified. Delilah Arolfo provided the justification for why the freezing conditions constituted an emergency. The District's contract with the operator calls for hazard pay to be instituted during emergency conditions. Director Guidry noted that some people were

paid hazard pay for working eight hour days. The operator noted that those people were entitled to hazard pay because they were working in hazardous conditions. Director Guidry questioned the invoices in some detail. Director Chasteen suggested that detailed questions about invoices be presented to the operator in advance of the meeting in the hopes that they can be resolved without lengthy discussions at the meeting. The attorney questioned the Board on whether they wanted to change any of the policies and procedures for implementation of emergency conditions. After discussion, upon a four to one vote, with Director Hembree abstaining, the Board voted to maintain the present policy of contacting the Board President for declaration of emergency conditions and implementation of hazard pay. Determination of the emergency will be within the President's direction.

11. Lori Aylett presented an attorney's report. She presented one Groundwater Reduction Contract with Mark Gabrisch and an Amended and Restated Groundwater Reduction Agreement with Marti Golf Center. The Subsidence District had requested that the District change the allocation of years in which the groundwater credits were sold on the Marti Golf Center contract. The customer has already paid the account in full. The Board approved the groundwater reduction contract and the amended and restated groundwater production contract as amended.

12. The Board reviewed a conveyance of facilities from the International Union of Operating Engineers and the IUOE Education Center. Pursuant to the terms of the conveyance document, the two Union entities will convey all of their interest in water, sewer and drainage facilities constructed on behalf of the District. The conveyance conveys all warranties and makes the District responsible for permanent maintenance. Upon unanimous vote, the Board approved the conveyance of facilities as presented. The attorney noted that the land for the lift station will be conveyed by a separate deed.

13. The attorney presented a draft of the Detention Pond Maintenance Agreement with IUOE Education Center. Pursuant to the terms of the agreement, the District will accept permanent maintenance of the detention pond, but the Union will pay all costs associated with the maintenance. Director Cox suggested that the District add water termination procedures in the event of default. The attorney will add those provisions and release a draft to the Union for their review.

The Board discussed the Rochester detention pond. Rochester still has punch list items to complete before the district can accept the pond.

14. The Board discussed the District's website. Director Hasse stated that he would like to make the website more dynamic. Director Chasteen stated that she would like to see a proposal from a website consultant to rework the content of the website. The attorney suggested that the Board might want to hear a presentation from Off Cinco, as they had recently redone a website for one of her other clients. The Board authorized the attorney to contact Off Cinco to provide a presentation. Director Cox told the Board that the website currently in use was his personal property, and he noted that he had a lot of money tied up in it.

15. The Board briefly discussed designation of polling places and appointment of election officials. The attorney provided information on qualifications of election officials.

The attorney made the Board aware of the kind offer of the Newport Property Owners Association to conduct the election at their community center. It was the attorney's suggestion, however, that the election be held at the District meeting place, so that District voters could become more familiar with the location of District meetings. The Board asked the attorney to get an average of amounts to be paid to election officials. The Board tabled further consideration of the designation of election officials and polling places to a future meeting.

16. The Board then considered the attached Resolution Affirming Review of the District's Identity Theft Prevention Program. The attorney noted that the District is required to review its program on an annual basis. The attorney and operator had no recommended changes to the program. Accordingly, upon unanimous vote, the resolution was approved by the Board as presented.

17. The attorney noted that no action needed to be taken on the proposed arbitrage engagement, as the Board had previously taken action and engaged Arbitrage Compliance Specialists.

18. The attorney for the District then discussed with the Board the requirements of newly enacted Senate Bill 625. The new 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 is required to create 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 publically 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 May 1, 2018 deadline.

19. The Board briefly discussed the developer reimbursement agreement with Rochester. He stated that he is planning construction of 45-foot lots. The Board noted that they would like to take the matter under advisement and requested that the attorney place it back on the agenda for the special meeting.

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


Secretary