

NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

March 22, 2018

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on March 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

and the following director absent:

None.

Also present were Delia Yanez, Delilah Arolfo, David Kasper, Andrea Martin, Chad Rochester, Nino Corbett, DeLonne L. Johnson, Shannon Waugh, George House, Allyson Baker, Eileen Fashoro, Sherry Wells, Tony Hantley, Josh McKethan, Rich Harcrow, 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 February 19, 2018, February 22, 2018 and March 3, 2018 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The Board briefly discussed the vacancy created by the resignation of Director Hembree. The Board members noted that the election would be occurring very soon, and it was suggested that the election should determine how the vacancy is filled. Accordingly, the Board took no action on an order to appoint a director.

3. The Board considered developer reports. Eileen Fashoro stated that Rampart has a tract of land on Port O'Call under contract with Rochester.

Nino Corbett addressed the Board regarding Newport Court development. There are now 24 residents in the Newport Court subdivision, and there have been 10 sales this year. Mr. Corbett anticipates running out of lots during the first quarter of 2019. He is still testing fence colors at the subdivision border on North Diamondhead. In response to a question from the Board, Mr. Corbett noted that Newport Court has separate deed restrictions, and the HOA in place in that subdivision will be able to maintain the fence.

Chad Rochester reported on Newport, Section 9 development. The County has approved the signs, and CenterPoint will illuminate them. LGI has 32 sales, with an average home price of \$202,000.

4. The Board considered customer and taxpayer inquiries. There were no comments from the residents who were present at the Board meeting. Delia Arolfo reported that one resident claimed that they were not notified of the meter change-outs. The operator investigated the complaint and believes that the contractor did not give a notification. The customer was washing clothes at the time of the meter change-out, and there was silt in the water line. As a result, the customer's work shirts were damaged. The customer presented invoices totaling \$440. The operator recommended that the Board reimburse the customer and backcharge the contractor. Upon unanimous vote, the Board accepted the operator's recommendation to reimburse the customer and backcharge the meter installation contractor.

5. The Board discussed reimbursement agreements for the District and the Defined Area with Newport Pointe. The attorney noted that she had prepared two separate agreements with Newport Pointe. In the first agreement, the District would agree to issue bonds from its May 7, 2005 authorization to reimburse the developer for facilities identified in Exhibit B of the contract, including a regional wastewater lift station, a force main pipe, and two water distribution lines. The agreement to reimburse would be subject to the same tax rate tests that apply to other developers in the District. The second reimbursement agreement relates to the utilization of Defined Area bonds. In that agreement, the District would agree to issue bonds from the Defined Area as long as the overall combined tax rate of the Defined Area, including the debt service and maintenance tax rate of "old" Newport, would not exceed \$1.25 per \$100 assessed valuation. Director Cox asked if reimbursement agreements could be tied to lot sizes. The attorney noted that the District does not have zoning authority and cannot control all aspects of developments. Director Cox stated that he would like legal research performed on what the Board's legal constraints are in offering reimbursement agreements to various developers. The attorney noted that she could provide that information at the next Monday operations meeting. The Board agreed to table the reimbursement agreement for the District and the Defined Area, and the request from Rochester for a developer reimbursement until the next meeting.

6. The Board discussed the District's website. Shannon Waugh gave a presentation on the services of her company, Off Cinco. Her company has been developing websites for municipal utility districts, operators and HOAs for several years. She stated that she had reviewed the District's current website, and her firm could make it more mobile and tablet friendly and provide certain other features that are not currently available. The District could have a fixed or custom layout. A newer platform would be better for newer devices. The fixed layout option would cost \$1,200, while a custom layout option would cost \$2,400. Ms. Waugh presented three options for monthly hosting and maintenance. Option 1 is to pay per update at a cost of \$50 per month, plus \$100 per hour billed by the minute. Option 2 includes unlimited updates at a cost of \$150 per month, and Option 3 is unlimited updates with required document monitoring at a cost of \$250 per month. Ms. Waugh answered questions regarding her proposal, and the Board thanked her for her time. She then exited the meeting.

Director Cox discussed the existing website that he had prepared and maintained on the District's behalf. He stated that someone on the Board would have to be responsible for what get included on a new website. He noted that the Board members have not provided him with any input on what they want from the existing website. Director Hasse noted that he would like hear other presentations and requested that the attorney place the item back on the agenda.

Director Cox noted that the Board members should not enter into a contract with anyone who does not make the MUD the owner of the website.

7. The Board reviewed a tax assessor/collector's report, a copy of which is attached. 2017 taxes were 93.99% collected. 20 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. Allyson Baker presented a bookkeeper's report, a copy of which is attached. Director Guidry gave a brief summary of budget variances. Upon unanimous vote, the Board approved the bookkeeper's report as presented.

9. The Board reviewed operations and engineering matters. The engineer reported receipt of bids for the water line extension across Gum Gully. Seven bids were received, and the low bidder appeared to be G & A Boring with a price of \$278,750. The engineer noted that they were still in the process of interviewing the bidders and he will make a recommendation at the next Board meeting.

Josh McKethan gave a proposal for replacement of valves and actuators. The operator and engineer recommended that the Board accept the bid of Watertech Services in the amount of \$219,000. The operator and engineer noted that the District should request an emergency approval of a negotiated bid project, because if these valves fail, the surface water treatment plant could be out of operation. Water Well No. 1 is down for tank repairs, so the District's water supply could be interrupted. Upon unanimous vote, the Board accepted the Watertech bid and authorized the attorney to direct correspondence to the TCEQ requesting an emergency approval of a negotiated bid project.

Rich Harcrow reported that he had received quotes from Environmental Allies to mow the Seven Oaks reserves that the developer wants to convey to the District. These reserves would cost approximately \$2,700 to mow each month. Therefore, if the District accepts maintenance and title to these reserves, the District could have additional costs of approximately \$32,400 per year.

Finally, Andrea Martin presented a report from Aggressive Waste regarding garbage collection. The reported noted one missed pick-up on March 5, 2018 and one yellow tag was issued for non-compliant heavy trash. The operator noted that several residents have complained to their office about the missed pick-ups. The Board members also noted that they had received complaints from residents regarding the missed pick-ups.

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

10. Lori Aylett presented a brief report on the status of the activities she has undertaken on behalf of the District.

11. The Board discussed acceptance of the lift station from IUOE Training and Education Center, Inc. The attorney noted that she had drafted a deed to convey the lift

station from IUOE, pending recommendation from the operator and engineer. The operator and engineer noted that they needed to perform a final inspection of the lift station site and the lift station to ensure that it is fully operational. Upon unanimous vote, the Board agreed to accept conveyance of the lift station when recommended by the engineer and operator.

12. The Board discussed the IUOE Training and Education Center Detention Pond Maintenance Agreement. The bar screen has been modified, and the riprap has been installed. However, the Union has not yet made comments to the proposed maintenance agreement. Therefore, the Board elected to defer approval of the maintenance agreement until next month.

13. The engineer and operator recommended that the Board defer acceptance of the Rochester detention pond, as the work is not yet complete. Accordingly, the Board deferred consideration of the agenda item.

14. The Board noted that action was taken on the Dunes Lift Station at the Monday operations meeting.

15. The Board briefly discussed a proposal to change the bulk trash collection days. Directors Hasse and Chasteen met with a representative of Aggressive Waste regarding their recent performance. The contractor has noted that they have been experiencing a lot of trouble recently. Some of their employees have suffered from heat exhaustion, and one of the trucks was involved in an automobile accident that caused a hardship. The contractor had suggested limiting heavy trash to the first and third Monday of the month. The Board also discussed whether recycling should be offered. Director Cox noted that the Board had given a raise to the contractor and had given them a new contract. If the Board is dissatisfied with the contractor's performance, the Board should not be seeking to amend the contract. Director Hasse asked if the Board could consider proposals from other contractors. The attorney advised that the District should declare the contractor in default of the contract, if there were performance issues. Pursuant to the terms of the contract, Aggressive Waste must be provided with notice and an opportunity to cure the default. Upon unanimous vote, the Board authorized the attorney to write a letter of default to Aggressive Waste and give them 30 days to cure.

16. The Board deferred consideration of the Software Maintenance Contract with AVR, as they had not yet provided the required Form 1295 and the required language that the contractor will not boycott Israel.

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


Secretary