

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
April 23, 2018

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on April 23, 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 Christine Matzonkai, Cullen Francis, David Kasper, Andrea Martin, Chad Rochester, Nino Corbett, 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. The Board considered the attached Order Appointing Additional Election Officials. The attorney noted that the Board had previously appointed Charles Thompson as early voting clerk and Ms. Carol Thompson as the alternate early voting clerk. Mr. Thompson is currently in the hospital with double pneumonia, and it is uncertain as to whether he will be able to serve at any point at the polling place. His wife was to have served as the alternate early voting clerk, but she must care for him while he is recovering. The attorney noted that Mr. Thompson should still remain the early voting clerk, as ballots by mail were already sent and addressed to be returned to his home address. However, the Board needs to appoint an additional alternate early voting clerk to serve at the polling place, and Karen Vandagrif, had agreed to serve. Upon unanimous vote, the Board adopted the attached Order Appointing Additional Election Officials.

2. David Kasper presented an engineer’s report. He presented a punch list of items related to the IUOE lift station. With regard to new developments, Rochester Engineering is working on the design of an 11-acre subdivision on Golf Club across from the surface water treatment plant. Rochester is also working on the design of a six-acre subdivision on North Diamondhead, west of Port O’Call. The engineer and operator are reviewing plans for the proposed Section 7 detention pond facility.

Work is nearing completion on the ground storage tank, and the engineer hopes to have it in place by next week. The water meter replacement project is continuing without any issues, and the work is approximately 89% complete. The operator received and reviewed a proposal for providing an online customer portal so that residents can review water usage and

bills. There is a one time cost of \$28,500 to set up the software and a recurring annual charge of about \$11,035 to maintain. Upon unanimous vote, the Board authorized the issuance of a change order to add the online billing module to the Aquametrics contract.

The engineer received seven bids for the 16-inch diameter water line crossing under Gum Gully. The bids were checked for mathematical errors and bid irregularities. The two apparent low bidders, G & A Boring and R & A Road Boring, were not considered by the engineer for award of the contract as they do not have the qualifications and expertise required to perform the work. A significant component of the project involves horizontal directional drilling across Gum Gully, and neither company had such experience. The engineer recommended award of the project to Alcott, Inc. dba TCH with a bid price of \$385,700.24. Upon unanimous vote, the Board approved award of the bid as recommended by the District engineer.

During the Gum Gully water line project, there will be some traffic disruption along North Diamondhead, so the directors will want to get the word out to the community when construction is about to start. The District engineer will also notify the personnel at neighboring Newport Elementary School when the project is about to start.

Taylor Power Equipment is planning to deliver the generator in May, 2018. Discussion then turned to Water Well No. 2. The District engineer has requested a proposal from Weisinger, Inc to inspect and evaluate the well. David Kasper reported that the well runs, but there is an oil sheen and taste to the water. The hydropneumatic tank is also nonfunctional. The purpose of the inspection is to determine the cost and feasibility to return the water well to service, thereby eliminating the need to drill a new well at a different site. The District's bond capacity is getting low, and this could be a way to conserve money for other critical projects.

The engineer next discussed the actuator and valve replacement project at the surface water treatment plant. The TCEQ approved the District's request for emergency negotiation of a limited duration contract. The engineer instructed the contractor to proceed with the work and prepared a construction contract. The original quote received from the contractor did not provide a cost for the required performance and payment bonds. Addition of the required bonds increased the amount of the contract to \$225,950. Upon unanimous vote, the Board approved the increased contract amount.

The engineer discussed wastewater treatment plant planning. The District is at a major decision point in the planning efforts. Harris County Commissioner's Court enacted new requirements in December, 2017, which have significantly changed the District's expansion plans. To meet the new requirements, the District would have to elevate its buildings and controls three feet about the 500 year flood plain, which means the District would have to build an additional nine feet over the old requirements. In effect, the operations personnel will have to climb two stories to operate equipment and conduct lab tests. Harris County does not recognize the District's berm around the treatment plant as providing the required mitigation. David Kasper believes that the District's best option may be to increase the height of the levee. The Board may need a special meeting to discuss the FEMA mitigation projects. Christine Matzonkai stated that, according to representatives of FEMA, the District can take into account that this site had flooded in the past in making a cost benefit analysis. The attorney noted that Richard Morrison of her firm was spearheading FEMA projects. He has recommended that the District send out

requests for proposals for engineering firms that are experienced in FEMA 406 mitigation projects. The Board authorized the attorney to proceed as necessary so that the District can get second opinions and explore all options.

3. Andrea Martin presented the billing and collections report. Total current billing was \$974,892.54, while total current payments were \$310,683.21. The 30-day arrears stand at \$17,525.58. There were 31 new connections for the month of March, 28 of which were owners and three which were renters. Of those 10 were new homes, and 21 were preexisting. 12 accounts were finalized, and there were 73 vacancies.

4. The Board reviewed the operations report. The total water accountability was 98%. Pending and completed repairs were discussed as outlined on the report. A summary of the April walk-through was presented for the Board's review and consideration. Andrea Martin reported on the status of the District's insurance proceeds received to date. The District has received \$513,592.30. The Board reviewed the report of Aggressive Waste. One yellow tag was issued for non-compliant household waste, and 12 yellow tags were issued for non-compliant heavy trash.

Ms. Martin reported on two customer service inquiries. Ms. Misha Shimek wrote a letter requesting an adjustment as her usage was 70,000 gallons in October. The Board considered the facts and circumstances surrounding the request and upon unanimous vote, authorized an adjustment of the bill to the minimum. The second customer, Paula K. Miller, requested a suspension of service. The customer had a fire at their home. Usage was suspended, but the customer is continuing to get a minimum bill to keep the account open. The operator noted that the customer had a good payment history, and due to the extenuating circumstances, the Board authorized the meter to be turned off with no bill and no additional deposit.

Christine Matzonkai presented a damage inventory and agenda for each FEMA project.

The Board discussed a hydrant and valve maintenance program. The operator noted that while there was no state standard regarding their maintenance, it was good practice to have a routine hydrant and valve maintenance program. The Board instructed the operator to obtain prices for establishing a hydrant and valve maintenance program for inclusion in the budget.

After full discussion, upon unanimous vote, the Board approved the operations and engineering matters as presented.

5. The Board approved the parks and recreational facilities report.

6. The Board discussed reimbursement agreements for the District and the Defined Area with Newport Pointe and a Developer Reimbursement and Utility Commitment with Rochester Enterprises for 5.21 acres. The attorney explained that the District had an annexation agreement with Newport Pointe, and a condition of that agreement was that the District would enter into a reimbursement agreement. In addition, the Board is previously committed to using the existing Newport bond authority to reimburse Newport Pointe for certain water and sewer facilities that will extend to reach the Defined Area tract.

Chad Rochester addressed the Board regarding his proposed development. He provided a land plan showing 45 lots as part of the master planned community. The land is currently under contract, but Rochester does not own it.

At the conclusion of the discussion regarding the Newport Pointe and Rochester proposals, at 11:23 a.m., the Board convened in executive session pursuant to Texas Government Code §551.071 to receive advice from the attorney regarding privileged and confidential matters. At 11:45 a.m., the Board reconvened in regular session. The attorney noted that the Board had a previous binding annexation agreement with Newport Pointe. Pursuant to the terms of the annexation agreement, the District must enter into a reimbursement agreement with Newport Pointe. Upon unanimous vote, the Board approved two reimbursement contracts with Newport Pointe, Ltd. The first reimbursement contract provides that if the developer meets its obligations, the District will use bond proceeds from the existing Newport voted authority to provide for reimbursement of a regional wastewater lift station, a wastewater force main pipe, and two water distribution line extensions. The other reimbursement agreement will use proceeds from bonds issued in the Defined Area to reimburse the developer for water, sewer and drainage facilities in the Defined Area.

7. The Board next considered a reimbursement agreement with Rochester Enterprises. The attorney explained that Rochester is not the legal owner of the land, and the District does not have a duty to enter into a reimbursement agreement with the developer based upon an earnest money contract. In addition, the Board must be fair to all potential developers, and there is an issue of lack of voted capacity. The attorney recommended that the Board table the matter until the Thursday meeting to give the engineer an opportunity to review the District's current commitments, voted capacity, and potential future development tracts. Accordingly, the Board tabled consideration of a reimbursement agreement with Rochester and any future reimbursement contracts, pending the analysis by the engineer.

8. The attorney presented three groundwater reduction agreements with Metallic Products, John Paul II Catholic Church, and Epifanio Figueroa. Upon unanimous vote, the Board approved the three groundwater reduction agreements as presented.

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


Secretary