

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
May 8, 2018

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on May 8, 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 absent:

None.

Also present were Deborah Florus, Earl Boykin, George House, Chad Rochester, Delilah Arolfo, Richard Harcrow, Debbie Shelton, Andrea Martin, Christine Matzonkai, Carol Jones, 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 April 23, 2018 and April 26, 2018 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.
2. There was presented the attached Order Declaring Results of the Directors Election. The Board President reviewed the returns and announced the vote count, which is contained in the Order. It appeared from the Order that Deborah Florus, Earl Boykin, and DeLonne Johnson had been duly elected to the Board. Upon unanimous vote, the Board adopted the Order as presented and canvassed the returns.
3. The Board President executed certificates of election indicating that Earl Boykin, Deborah Florus, and DeLonne Johnson were duly elected, and the Board accepted the certificates of election as presented.
4. DeLonne Johnson was not present at the meeting. Deborah Florus and Earl Boykin executed a letter of qualification, statement of officer, and oath of office. They also completed conflict of interest disclosure statements, information regarding closure of certain public information, and received a memorandum regarding completion of required open meetings and public information act training. After discussion, upon unanimous vote, the Board accepted the letter of qualification, statements and oaths of office of Earl Boykin and Deborah Florus, and they began participating in the meeting effective immediately. The outgoing Board members offered their congratulations and best wishes for Newport’s continued success.

5. The Chair announced the need for election of officers. By acclamation, Earl Boykin was designated as the Vice President of the Board. By acclamation, Deborah Florus was designated as Assistant Secretary to the Board.

6. The Board reviewed customer service inquiries. Don Cox addressed the Board and stated that he had given a lot of thought to the District's reimbursement policies. It was his opinion that the District should conduct a bond election.

7. The Board discussed replacement of parks all-terrain vehicles. Rich Harcrow noted that the two original ATV mules are eight years old. The clutches need to be replaced, and it was his opinion that the equipment has reached the end of its useful life. In response to a question from the Board, the operator noted that their office keeps track of maintenance on this equipment, makes sure the oil is changed, and that all necessary maintenance is performed. The operator presented a quote from Kawasaki for purchase of the two mules, including trade in of the two old mules, for a total price of \$23,016. Upon unanimous vote, the Board approved the purchase of the parks equipment based upon the proposal provided.

8. The Board held a brief workshop on the bond election. The attorney provided a copy of the remaining bond capacity projections dated April, 2018 prepared by District engineer David Kasper. The District has current voted bond capacity of \$19,815,000. A bond application has been submitted to TCEQ for approval, and after issuance of those bonds, the District will have \$15,590,000. There are other completed projects that have not yet been placed in a bond application, including Newport Court, Seven Oaks South Engineering, and costs and interest, Newport Section Nine, Newport Section Four re-plat, Newport Section Eight re-plats three and four, and Newport Section Four re-plat four. If bonds were issued for those projects, it is estimated that the District would have remaining voted authority of \$10,170,000. The engineer is estimating \$1,500,000 for construction of a wastewater treatment plant levee and \$4,780,000 for a wastewater treatment plant expansion. If bonds are issued for those projects in 2019, the District will have remaining voted authority of \$2,950,000. The District has also made commitments to reimburse Newport Point for lift station, force main, and water line improvements to serve the defined area. If these bonds are issued, the District will have no remaining voted authority. The District has also entered into reimbursement agreements for Newport Section Seven and the Rochester Golf Club tract, and the engineer estimates that it will take about \$5,000,000 to develop those tracts. In addition, the District has in-District developable tracts, and the engineer's cost of developing those tracts is \$2,770,000. In summary, if all in-District projects were funded, the District would need additional voter authorization of \$8,850,000. That does not include any money for other District projects. Director Hasse noted that the District's infrastructure is aging, and the District should address its inflow and infiltration problems.

Christine Matzonkai of the operator's office gave a review on status of various FEMA repair projects and ongoing mitigation efforts after Harvey. The District has applied for funding from FEMA both to repair the damages incurred during Hurricane Harvey and for mitigation projects to prevent future damage. The operator is working with Harris County Flood Control, FEMA representatives, and representatives from the attorney's office to proceed forward with mitigation. Delilah Arolfo reported that her office had been able to recover over \$500,000 from the insurance carrier for damages sustained due to the hurricane. The attorney

noted that there were many important projects that would require the Board's attention, and the Board should consider a bond election for addressing all the future needs of the District.

9. The Board considered a developer reimbursement agreement with Rochester Enterprise for 5.21 acres on North Diamondhead. The engineer estimated utility costs of approximately \$300,000. The Board had already noted that the District does not have sufficient bond capacity to reimburse its developers for current communities without calling an election. Chad Rochester addressed the Board and stated that he was willing to make his agreement contingent upon a successful future bond election. The attorney presented a draft of the contract, which included language making the agreement to reimburse contingent upon the successful future bond election. The contract would also require that the District call no more than one bond election in an attempt to satisfy its terms. In addition, the developer would be limited to two years of interest. After discussion, upon unanimous vote, the Board approved the developer reimbursement with Rochester Enterprises as presented.

10. The Board discussed the request for proposals for FEMA 406 mitigation projects. The attorney presented a draft of the request for proposal prepared by Richard Morrison of her office. The proposal attempts to address all of procurement requirements of federal and state law. The attorney noted that there was some conflict between state and federal law, because state law requires the District to pick professional consultants based upon qualifications without regard to cost, while federal law requires the cost component be considered. After discussion, upon unanimous vote, the Board authorized the attorney to proceed with finalizing the request for proposals.

11. The attorney requested that the Board table consideration of the IUOE Training and Education Center detention pond maintenance agreement. Revisions had been suggested by the previous Board, and the attorney stated that the recommended revisions were worthy of inclusion in the draft. She will present an updated draft for the Board's approval at next month's meeting.

12. Under pending business, the Board President reported that he exercised his authority to approve an expenditure of \$5,780 to Dynamic Displays and Canvas to construct a canvas to cover the filter structure at the surface water treatment plant. The operator noted that the old filter fabric structure was abandoned seven years ago. She suggested that the Board may want to consider demolishing the structure or trying to sell it for scrap. It makes the plant appear to be untidy, which can sometimes create a bad first impression for inspectors.

The Board President noted that the Association of Water Board Directors conference was June 21, and any interested directors should make plans to attend. Director Florus asked that the Board consider a different schedule for the Board meetings, as she has a work conflict. The attorney will place an item on the next agenda. Finally, Nino Corbett introduced himself to the new Board members.

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


Secretary