

NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
May 24, 2018

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on May 24, 2018, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

R. Gary Hasse, President
Earl B. Boykin, Vice President
Margarette Chasteen, Secretary
Deborah L. Florus, Assistant Secretary
DeLonne L. Johnson, Director

and the following director absent:

None.

Also present were Andrea Martin, Delia Yanez, Debbie Shelton, Shannon Waugh, Allyson Baker, Don Cox, George House, Carlos Castrejon, David Kasper, Richard Harcrow, Cullen Francis, Eileen Fashoro, Chad Rochester, 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 May 8, 2018 and May 21, 2018 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The Board discussed the schedule for the regular monthly meetings. After discussion, the Board agreed that the next regular business meeting would be held on June 28, 2018 at 10:00 a.m. At the present time, the Board will discontinue their practice of having a separate operations and engineering meeting. Beginning in the month of July, Board meetings will be held on the third Thursday of the month at 3:00 p.m. Only one meeting per month will be held for general business, and special meetings will be scheduled as necessary. The attorney stated that she would update the District calendar and present it to the Board at their next meeting.

3. Director Chasteen addressed the Board and the residents present regarding the conduct of District business and the decorum of the meeting place. She asked that all attendees put away their cell phones. She asked that audience members who need to have a private discussion leave the room. She asked that persons expecting a phone call leave the room to take it. She asked that the members of the audience refrain from having conversations during the meeting, as it makes it more difficult for the Board to conduct business and for everyone to hear.

4. The chair opened the floor for customer inquiries. Resident Don Cox welcomed new Director DeLonne Johnson and congratulated him on his recent election.

5. David Kasper presented an engineer's report. At the Monday meeting, the District approved a contract with TCH Alcott, Inc. to install the North Diamondhead water line. Mr. Kasper will be wrapping up the generator installation at the water plant. There are several contractors to deal with to get the generator installed. The Board briefly discussed erosion along Gum Gully near Handspike Way. The engineer and operator met with the homeowner to discuss the erosion which occurred after the hurricane. It appears that there is exposed electrical conduit in the area. The operator has provided information to the homeowner on how to contact CenterPoint and how to contact Harris County Flood Control District regarding the matter.

The Board discussed the authorization for survey work at the sewage treatment plant. The Board noted that there had apparently been some confusion with regard to the engineer's authorization for that work. David Kasper stated that the work he was commissioning on the District's behalf was a sealed boundary survey. Jones and Carter gave a bid of \$40,200 to perform the work. The engineer had been instructed to obtain a Form 1295. Director Hasse expressed concern that ownership of all documents relating to the survey should be in the name of the District. David Kasper assured the Board that this would be the case. The Jones and Carter proposal mirrors language in the District's engineering contract regarding ownership of District documents. The survey will come as a "deliverable" which will be an AutoCAD file. This can be freely transferred and used by any engineering firm. The District has \$150,000 for engineering survey services in the bond issue that is currently at the TCEQ under review. Delilah Arolfo asked whether the work would have to be duplicated or whether other work might have to be performed to comply with FEMA mitigation projects. David Kasper replied that setting benchmarks will be useful information for any future engineer and will give a jumpstart on everything needed to deal with the wastewater treatment plant expansion, the FEMA mitigation, and related matters. After discussion, upon a vote of 4-1, with Director Johnson casting the negative vote, the Board authorized Jones and Carter to complete the survey.

6. The Board considered the contract with IUOE Training and Education Center for detention pond maintenance. The attorney noted that the final form of the agreement had been reviewed by her and the attorneys for the Union and it was ready for signature. The attorney added language suggested by former Director Cox to allow replenishment of the deposit when it reached below \$10,000. The attorney also changed the language regarding access to the pond by District personnel. Upon unanimous vote, the Board approved the IUOE Training and Education Center detention pond maintenance agreement as presented.

7. The Board briefly discussed the lighted sign board on North Diamondhead. Director Hasse noted that that NPOA recently had to take their lighted sign board down due to construction in the right-of-way. It has been suggested that the District may have a better chance of getting a sign permitted in the Harris County right-of-way. Director Hasse asked for feedback from the Board. Director Chasteen noted that the sign is a good communication tool but there would be a lot of details to work out before making any commitments. Upon unanimous vote, the Board authorized the operator to conduct further research. David Kasper suggested that the sign could be put on park property at South Diamondhead and at the detention pond on North Diamondhead. In that way, the District could

avoid having to deal with permits with the County. The operator will investigate that possibility as well.

8. The Board briefly discussed the engineer's contract. David Kasper exited the room. Director Hasse noted that David Kasper stated that he was ready to move forward and allow another District engineer an opportunity in Newport. It is the Board's belief that the District should request qualifications from engineering firms. The Board authorized the attorney to prepare a request for qualifications to be due by June 7, 2018. The Board will conduct a special meeting on Friday, June 15, 2018 at 3:00 p.m. to review the qualifications that are submitted and select engineers to interview. On Monday, June 25, 2018, at 3:00 p.m., interviews will be conducted. The Board agreed to seek requests for qualifications from IDS Engineering Group, Jones and Carter, HDR Engineering, Inc., Cobb Fendley, Van De Wiele & Vogler, Inc., and LJA Engineering.

9. The tax assessor/collector's report was reviewed by the Board. 2017 taxes were 96.35% collected. Two wire transfers and seven checks were issued, and three checks were voided because they were stale dated. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

10. There was presented the attached Resolution Requesting Certified Estimate of Taxable Value of Property Within the District. The attorney reported that the financial advisor had requested that the Board adopt the resolution so that the financial advisor can review the estimate of assessed value in the District as June 1, 2018. This information will be valuable in determining the reimbursement owed to developers, and the information can be used in the upcoming bond sale. Upon unanimous vote, the Board adopted the resolution as presented.

11. The chair entertained developer's reports. Carlos Castrejon addressed the Board and stated that Lennar had three sales for the month. Sales have been going at a steady pace, and year-to-date they have had 18 sales. In Section 7, they completed the re-plat and are getting ready to begin clearing. Mr. Castrejon asked the Board to consider allowing the developer to place fill on the District's Reserve A in Section 7. The attorney advised that the District did not have enough information to respond to the request without receiving guidance from the engineer. Carlos Castrejon stated that he would provide the information to David Kasper.

Nino Corbett discussed his development. Entrance work is complete at Newport Court. The developer continues to work with engineers regarding the Defined Area, and he is hoping to have a detailed land plan by June.

Eileen Fasharo stated that she had nothing to report on the behalf of Rampart.

Chad Rochester stated that he has been working for six months to get a sign to the entrance to his development. LGI has five more homes to finish and he is continuing to work on punch list items related to the detention pond. Rochester has closed on the purchase of Section 10 and has submitted plans.

12. Allyson Baker presented a bookkeeper's report, a copy of which is attached. The Board suggested that the bookkeeper may want to reallocate some money to Texas

Class, because they appear to be offering a better interest rate. The Board noted that the \$250,000 capital projects payment to be made by MUD 525 should not be reflected on the Union's inspection report page but should be a separate report. The bookkeeper will make the necessary correction. Upon unanimous vote, the Board approved the bookkeeper's report and authorized payment of the bills listed thereon.

13. The Board discussed the budget format. The operator suggested that the chemicals from the various facilities be split out. It was her opinion that when too many expense items are lumped together, it is more difficult for the Board and her to analyze budget variances. Director Hasse noted that he would like the budget to be formatted so that costs can be watched and controlled. The Board suggested that the bookkeeper take a more active role in development of the budget in future years, instead of relying upon any single board member. All board members can then be involved with and responsible for reviewing the bookkeeper's budget. The Board also instructed the operator and bookkeeper to work together to establish general ledger codes that will allow the Board to track expenses in a more proactive way.

14. The Board tabled consideration for the request from developer, Newport Seven Land Company, for dedication of park reserves and reimbursement of certain water, sewer, and drainage expenses.

15. Lori Aylett presented an attorney's report. She had four groundwater reduction contracts for the Board's review and approval. Upon unanimous vote, the Board approved the groundwater reduction agreements as presented.

The attorney then requested guidance from the Board on how to respond to a request made by a former director. She reminded the Board that with certain very limited exceptions, records of the District are public information and they are required to be produced by a Public Information Act request. However, Public Information Act requests are not prospective in nature. In other words, a requester cannot ask for information to be compiled that is not already in existence. The Board instructed the attorney to respond to all Public Information Act requests in the same manner.

16. The Board received a proposal from Shannon Waugh of Off Cinco regarding a District website. Ms. Waugh presented options for a fixed layout or a custom layout. Her firm offers three options for updating. After discussion, upon unanimous vote, the Board approved a contract with Off Cinco for a custom designed website at a cost of \$2,400 with unlimited document uploads at a cost of \$250 per month.

17. There was no action on the contract with AVR, as they have not yet provided the required Form 1295 and language regarding not boycotting Israel.

18. The Board briefly discussed the bond election workshop. The attorney noted that the engineer would be an important part of any bond election discussions with the community. Because the District would have to call a November election in August, it is probably too late to consider an election this year. The attorney suggested that the Board plan to have a bond election in May 2019 if all necessary public education can be completed at that time.

19. The Board considered maintenance agreements with Citywide AVS. This contractor has taken place of the previous company that maintained the District's cameras at

plant and park sites. Upon unanimous vote, the Board approved the maintenance agreements as presented.

20. The attorney presented a proposal from Crown Castle for the renewal of the ground lease agreement for the cell phone tower at the sewer plant site. A Crown Castle representative has requested that the Board revisit their October 2016 offer. The Board members indicated that it was their belief that the previous Board had made a very reasonable and well-informed offer, and they authorized the attorney to communicate to Crown Castle that the Board is still willing to stand by its October 2016 offer.

21. The Board briefly discussed the request for proposals for FEMA 406 mitigation projects. Deliah Arolfo reported that she had sent the draft RFQ to a FEMA representative to see if they would give some input.

22. The Board discussed research regarding a resident recycling program. The District has a current agreement in place with Aggressive Waste. That agreement does not incorporate recycling, so the District would have enter into a separate agreement with another contractor or have the contract with Aggressive Waste amended. Aggressive Waste has stated that they would have to charge the District for purchasing the recycling cans. In response to a question from the Board, the attorney noted that some trash contractors include the cost of the bin in their proposal. The Board members noted that it would be important to determine whether the residents wanted to pay additional money for recycling. After discussion, the Board agreed to table consideration of further research on the resident recycling program until the website is up and running.

23. The Board discussed recycling at District facilities. Director Hasse stated that he would like to see can crushers at the plants and that he would like to recycle aluminum at the plants. Upon unanimous vote, the Board instructed the operator to begin an aluminum recycling program at the plants.

24. The Board reviewed a request from Rochester Enterprises for approval to construct a fence to encroach on utility easement in Section 9. The engineer and operator reviewed the request and did not have any objections to allowing the landscaping encroachment. Upon unanimous vote, the Board approved the consent to encroachment contingent upon the receipt of funds from the developer to offset attorney costs for preparing the encroachment document.

25. The Board tabled the consideration of the operator's contract. The contract automatically renews for another term, but can be terminated upon 30-days' notice. Delilah Arolfo suggested that the contract should be amended when the new detention ponds are completed.

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


Secretary