

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
November 15, 2018

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on November 15, 2018, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

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

and the following director absent:

Earl B. Boykin, Vice President.

Also present were Teague Harris, Esther Shaver, Jorge Diaz, Christine Matzonkai, Andrea Martin, Chad Rochester, Rich Harcrow, George House, Eileen Fashoro, Carlos Castrejon, Don Cox, Delilah Arolfo, 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 reviewed minutes of October 18, 2018, October 29, 2018 and November 6, 2018 meeting. Upon unanimous vote, the Board approved the minutes as presented.
2. There were no customer service inquiries for the Board's consideration.
3. Esther Shaver presented a tax assessors/collector's report, a copy of which is attached. The District's 2017 taxes are 98.99% collected. Three wires transfers were made. The tax bills for the 2018 accounts have been sent to taxpayers. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.
4. Jorge Diaz presented a bookkeeper's report, a copy of which is attached. The bookkeeper also presented a copy of the draft budget for the fiscal year ending December 31, 2019. The Board agreed that it would be productive to conduct a special budget workshop on Monday, December 3, 2018 at 3:00 p.m. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of checks listed thereon.
5. The Board discussed renewal of the District's insurance policies. The attorney noted that at the previous Board meeting, she had presented preliminary proposals for insurance renewal, which the Board had approved up to \$100,000. Because of the deadlines with regard to obtaining flood insurance, the premiums for which are now established by the National Flood Insurance Program, the District had to take action on those items last month. On the Board's behalf, the attorney bound coverage for the flood policies. The remainder of the renewal proposals are available, and the total cost to the District will be \$110,340. Kim Courte, the

District's insurance agent representative, was available by telephone and addressed the questions of the Board regarding the renewal proposal. After discussion, upon unanimous vote, the Board authorized renewal of the District's insurance policies based upon the proposal provided by Arthur J. Gallagher.

6. The Board discussed a proposed contract with the Newport Property Owners Association for provision of electrical services via the District's lift station. Director Hasse noted that he had asked for this item to be put on the agenda at the request of property owners association representative, Carol Jones. Ms. Jones requested that the association be allowed to install a sub-meter to provide power to the association's irrigation system in the median of the road. Preliminary cost estimates for the work amount to about \$8,500, and the property owners association has expressed willingness to pay those costs and the cost associated with reading the meter and providing a bill. Other Board members expressed concern with this proposal and noted that they did not have enough information about it. The Board members expressed some concern about why the District would want to be involved in providing electricity to a third party, even if the cost to the District were paid. The Board members also expressed concern with the liability associated with the provision of these services. After discussion, the Board agreed to table the issue until further information was provided regarding the proposal.

7. The Board agreed to table consideration of a hearing on alleged Rate Order violations at 16223 Taffrail Way. According to information and belief, the customer at that residence recently died, and no family members were present at today's meeting. The Board authorized the attorney to send a notice to the representative of the estate so that the District can reconsider the hearing at the next meeting.

8. The Board considered developers' reports. Chad Rochester stated that plans for Section 6 and Section 10 are being revised to address comments made by Harris County. Mr. Rochester requested and received Board authorization to advertise for bids for the project, subject to District engineer's receipt and review of the vegetation plan. The Board also approved execution of a letter to accept the detention pond, once it has been completed according to plans and the previously approved agreement.

Carlos Castrejon addressed the Board and stated that Lennar has had 36 sales year to date. There have been none this month, but they have been averaging about three sales per month.

Eileen Fasharo stated that she had no updates on behalf of Rampart.

9. The Board tabled consideration of amendments to the District's Rate Order, these will be considered at the special budget meeting.

10. The Board reviewed the District operations report, a copy of which is attached. The District had water accountability of 96%. The operator reviewed the completed work listed on the report. At the wastewater treatment plant, there were no permit violations. There was, however one small unauthorized discharge, and the operator took action to clean up the spill immediately.

Rich Harcrow discussed the District work listed on the report. Four taps were made during month.

Andrea Martin discussed the billing and collections this period. Total current payments were \$298,655.32, while total current billing was \$280,511.12. The Board reviewed the Aggressive Waste garbage collection report. There was one section of missed pickups, and the waster hauler returned. One yellow tag was issued for non-compliant household waste, and six yellow tags were issued for non-compliant heavy trash. The operator received one complaint from a customer regarding the location of their trash can and the operator forwarded this complaint to Crystal Kirby.

Director Johnson noted that he had noticed a complaint on social media from a resident, who claimed that the workers on the garbage truck were catcalling her. Director Johnson noted that he had observed the workers whistling to signal that it was safe for them to move the truck.

Christine Matzonkai reported on the activities with FEMA. The weekly meeting went well, and the District should soon be paid for generator damage. There will be another meeting onsite with FEMA on November 29, 2018. Upon unanimous vote, the Board approved the operations and billing and collections report as presented.

11. The Board discussed a parks and recreational facilities report, and a copy of the report is attached. Upon unanimous vote, the report was approved as presented.

12. Teague Harris presented an engineer's report, a copy of which is attached. The engineer is still working with the operator to discuss the possibility of using chlorine dioxide, an air stripping tower, or a transmission line for improvement of taste and odor of the water. The 16-inch water line project on North Diamondhead is substantially complete, and a final inspection will be scheduled pending confirmation of installation of the final paving work. Regarding the water storage tank rehabilitation, the contractor confirmed in writing that the one year warranty period will run through May 12, 2019.

The engineer next reported on wastewater treatment plant items including the FEMA mitigation plan and grant authorization. The engineer plans to prepare updated cost estimates for the following projects in order of priority: 1) The emergency generator platform structure with stairs; 2) combined office and motor control center with walkway to the generator platform; 3) stormwater and effluent pump station with walkway to the berm; and 4) blowers. The engineer recommends design of a concrete platform as opposed to a metal one. The engineer requested and received authorization to prepare plans and obtain agency approvals for the emergency generator platform structure with stairs for a estimated fee of \$22,500.

Teague Harris next discussed the Phase 1 sanitary sewer rehabilitation. The previous engineer, Dave Kasper, had reviewed the inspection videos and prepared the attached list of recommended repairs totaling an estimated \$896,000. Mr. Harris requested and received Board authorization for IDS to prepare bid documents, plan exhibits and obtain advertised bids for the rehabilitation items for an estimated fee of \$10,000.

The engineer met with Michael Cox and Matt Banks of Johnson Development to discuss Harris County MUD 525 and do some very preliminary evaluations of interim and

permanent sewage treatment for the project. They briefed him on the development plans and stated that they do not yet have a construction start date. The engineer requested that the MUD 525 developer submit a deposit for \$5,000 to the District's bookkeeper so that the engineer can begin a feasibility analysis.

The engineer is working on a master stormwater quality permit to consolidate the renewal of the Seven Oaks North and South and Newport Court detention basin stormwater quality permits. The District can then add the Union detention pond permit when it has been transferred. The application will be submitted by December 1, 2018. The engineer also met with Nino Corbett to understand their development plans.

The engineer next discussed development and utility service items. Lennar requested and received Board concurrence for payment of clearing and grubbing Pay Estimate No. 5 for Newport Section 7. Change Order No. 2 for the Section 8 Partial Replat No. 3 water, sewer and drainage construction was ready for Board's signature. The change order was approved at the previous meeting. The engineer reported that he received District engineering documents from David Kasper. The documents were all well organized and labeled. The engineer is working on a bond issue cost summary. The engineer plans to present the cost summary for the Board's initial review at the December meeting. Upon unanimous vote, the Board approved the engineer's report as presented.

13. Lori Aylett presented an attorney's report. She noted that during the previous month she has worked with the Union to obtain the final letter of credit so that the District can be assured it will receive its non-taxable entity tap fee, when the Union gets a permanent tax exemption.

14. There were no consultant contract amendments for the Board's consideration.

15. The Board briefly discussed the operator's contract. The Board requested that the attorney add the operator's contract to the December 3, 2018 budget workshop agenda.

16. The Board discussed options for fencing the property owned by the District in the parks adjacent to the Veach tract. The Board instructed the operator to get a quote for fencing with three different options, including a six-foot fence with a rot board, alternating pickets, and wrought iron.

17. The Board discussed the need for an electric gate at Water Plant No. 1. The operator obtained two bids. Foster Fence bid \$9,245 and will provide a four-year warranty with parts and one-year warranty for labor. Acacia bid a price of \$6,895 and will offer a six month warranty. The Board authorized award to Acacia if the operator can get them to agree to a one-year warranty.

18. The Board discussed the water supply and groundwater reduction agreement with Harris County MUD 525. That district's representatives have requested that the contract be amended to delay the monthly water payments until such time as they actually start taking water. Director Chasteen noted that this would be a reasonable proposal, but there needs to be some firm date by which payments are made or the contract can be cancelled. The Board suggested a deadline of five years for MUD 525 to start using water, or the contract would be

cancelled. In addition, MUD 525 should pay all costs associated with modifying the agreement. The Board asked the attorney to request that MUD 525 update their projections and provide a proposed start time.

19. The Board briefly discussed the meeting and office building. The operator noted that their office had reviewed the proposed plan, drafted by Board President Gary Hasse. The next step is for the District to review qualifications and select an architect who can finalize the plans. In addition, the Board needs a cost estimate for the project. Director Hasse will continue to work on those items for the benefit of the District.

20. The Board discussed the designation of sub-recipient agent for FEMA. The Board agreed that it would be appropriate to change secondary agent from Delilah Arolfo to Teague Harris and authorized execution of necessary documents to effect this change.

21. The Board discussed the Board meeting schedule. Director Hasse noted that it would be useful to establish two regular meeting dates per month. If the second meeting date is not required, it would not be used. Other Board members thought that this was a good idea and requested that the attorney place the item back on next month's agenda for full discussion by the Board and consultants.

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


Secretary