

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
December 20, 2018

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on December 20, 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  
DeLonne L. Johnson, Director

and the following director absent:

Deborah L. Florus, Assistant Secretary.

Also present were Teague Harris, Jorge Diaz, Christine Matzonkai, Andrea Martin, Rich Harcrow, George House, Eileen Fashoro, Carlos Castrejon, 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 President deviated from the order of the agenda. He stated that the presentation from the Newport Property Owners Association regarding provision of electrical services should be tabled. The Association is going to try to do this project themselves. In addition, the Board President recommended tabling consideration of the meeting and office building because he has not yet had an opportunity to review cost summaries and discuss with an architect.

2. The minutes of the meetings of November 15, 2018 and December 3, 2018 were presented for the Board’s review and approval. Upon unanimous vote, the Board approved the minutes as presented.

3. There were no customer service inquiries or appeals regarding utility service for the Board’s consideration.

4. No tax assessor was present, but the tax assessor/collector’s report was considered by the Board. The District’s 2018 taxes are 4.42% collected, and all prior years were over 99% collected. Twelve checks were presented for the Board’s approval and two wire transfers were made. Upon unanimous vote, the Board approved the tax assessor/collector’s report as presented.

5. Jorge Diaz presented a bookkeeper’s report, a copy of which is attached. Upon unanimous vote, the bookkeeper’s report was approved as presented.

6. There was presented the attached Resolution Adopting Operating Budget for Fiscal Year Ending December 31, 2019. Upon unanimous vote, the Board approved the Resolution as presented.

7. The attorney noted that the Board had an evergreen contract with McCall Gibson Swedlund Barfoot, PLLC to audit the District's books and records. The Board confirmed the prior engagement of the auditor to perform the work and authorized them to begin work on the audit for the fiscal year ending December 31, 2018.

8. The Board opened a hearing on alleged Rate Order violations at 16223 Taffrail Way. The Board held a hearing and considered the facts and circumstances surrounding violations of the District's Rate Order including the attached summary of information provided by the operator. The District found and determined that Karl Veach committed at least three violations of the District's Rate Order by causing a bypass, cross connection, and allowing raw sewage to run on the ground. Upon unanimous vote, the Board levied a penalty of \$30,000 and authorized the attorney to send notice of the penalty to the Karl Veach estate representative.

9. The Board discussed the meeting schedule and the fact that the District frequently has to schedule two meetings per month to take care of all of its business. The Board discussed whether to establish a firm schedule for a second meeting. The Board noted that Director Florus had expressed desire to meet in the afternoon, as she has work commitments during the day. Director Johnson asked the Board to take into account that his job requires him to travel. If a second meeting during the month is scheduled, it prevents him from traveling that week. He stated that he would be available on Friday afternoons. The Board agreed that as necessary, meetings would be scheduled on Friday afternoons in an attempt to accommodate all Board members.

10. The Board considered developers' reports. Carlos Castrejon reported on the status of Lennar's development and stated that there had not been a lot of movement this month. There have been 35 taps made year to date. Lennar is beginning home construction in Section 8 Partial Replat No. 3. The Section 7 detention pond is complete, and the water, sewer and drainage construction will begin in January.

Eileen Fashoro reported on Rampart's development efforts. She stated that Rampart is having an issue with drainage adjacent to the property. They put in a swale on their property, and the necessary permits were not obtained. The District engineer asked that plans be forwarded to him and the District's operator for review prior to any further action being taken.

11. The Board reviewed operations and billing and collections reports. The operator's report is attached. The District had water accountability of 99%. The operators sent the old actuators off for scrap and received some money for the District.

At the wastewater treatment plant, there were no permit violations. Pumps were de-ragged at several lift stations. Four back charges were issued, and in one case, a person ran over the District's fire hydrant and drug it all the way to their home.

Andrea Martin presented the billing and collections report. Total current payments were \$298,732.15, while total current billing was \$270,674.93. As of today, the arrears totaled \$19,276.94.

The Board reviewed the garbage collection report from Aggressive Waste. There were no yellow tags issued during the month.

Christine Matzonkai presented a report on the status of FEMA matters. The District has received FEMA proceeds of \$216,401.66 and insurance proceeds of \$585,442.52. Upon unanimous vote, the Board approved the operations and billing and collections report as presented.

12. The Board considered the attached Order for Adoption of Schedule of Water and Waste Collection and Disposal Service Fees and Rates. The Board agreed that it would be appropriate to raise sewer rates by \$5.00 and pass through the SJRA raw water rate, with such new rates to be effective January 1, 2019. The operator prepared a notice to customers regarding the rate increase and noted that it would cost \$0.18 per bill to mail it to customers. Upon unanimous vote, the Board adopted the Order as presented. The Board further instructed the operator to send the notice to the customers with information regarding the SJRA rates. In addition, the Board authorized the operator to provide the information to the District's website coordinator for posting.

13. The Board received a report on the parks and recreational facilities. The operator discussed the list of parties. The operator also noted that they replaced the toilet seats in the public restrooms in the District. Director Johnson asked the operator for input on how to improve the parks. Director Hasse noted that this was a very good question and stated that he would like to add vegetation to attract wildlife. Delilah Arolfo noted that she would like to add shade over some of the park equipment. The Board will continue these discussions in an attempt to provide the best parks and recreational activities for its residents.

14. The Board briefly discussed the park rules. Director Hasse noted that someone on Nextdoor had complained about loud music, and Director Hasse would like to consider some amendments to the park rules to better address this issue. The attorney passed out a copy of the current park rules and asked the Board to review them and come back with their ideas next month.

15. Lori Aylett presented an attorney's report. She noted that she had received the final executed letter of credit from the Union's bank. The District will continue to monitor status of their tax account so that the letter of credit can be drawn upon when appropriate.

The attorney recommended that the Board adopt a Resolution Requesting an Estimate of Value as of January 1, 2019. The Resolution would allow the financial advisor to review the status of the District's development in conjunction with the upcoming Bond Application. Upon unanimous vote, the Board approved the Resolution as presented.

16. Lori Aylett reported that as a result of state law, all entities with the power of eminent domain must annually submit certain information to the Texas Comptroller. The

District will be required to submit not later than February 1st of each year a report containing records and other information needed for the Comptroller's eminent domain database, including the following: (i) name, (ii) address and public contact information, (iii) the name of a representative and their contact information, (iv) the type of entity, (v) each provision of law that grants the District eminent domain authority, (vi) the focus or scope of eminent domain authority, (vii) the earliest date on which the District had the authority to exercise eminent domain, (viii) the District's taxpayer identification number, if any, (ix) whether the District exercised its eminent domain authority in the preceding calendar year by filing a condemnation petition, and (x) the District's website address or, if it does not have one, the contact information to enable a member of the public to obtain information from the District. The attorney requested that the Board authorize her office to file the annual report with the Texas State Comptroller not later than the February 1, 2019 deadline. Upon motion duly made and seconded, the Board unanimously authorized the attorney to make the submission as required by law.

17. The attorney presented three groundwater reduction agreements for the Board's review and approval. Upon unanimous vote, the Board approved groundwater reduction contracts with Tejas Tubular, Van Manor Mobile Home Park and Marti Golf Center.

Delilah Arolfo noted that the SJRA canal has been down for several days. The attorney will review the contract to see if the District can received a credit for the days that the canal was offline.

18. The Board discussed options for fencing of District park property. The Board reviewed seven options in some detail. Upon motion made, seconded, and carried with a vote of three to one, with Director Johnson opposing, the Board voted to approve the option 7 for fencing.

19. The engineer presented a draft of the Use Change Agreement between the Architectural Control Committee of the Property Owners Association and the District regarding Restricted Reserve D in Newport Section 10. The reserve has been previously restricted to recreational use when it was deeded to the District, but pursuant to the previous approval by the Board, the area will now be used for storm water detention. Accordingly, the classification of the reserve should be changed to "restricted to resident recreational use and detention/storm water drainage". Director Johnson noted his previous opposition to allowing the developer to use the District property for detention and reiterated that opposition. The Board voted with a vote of 3-1, with Director Johnson opposing, to approve the Use Change Agreement in accordance with the Board's previous approval to allow the use of the Section 10 reserve for drainage.

20. The attorney presented a Right of Entry Agreement to be used by Rochester and by Rochester's contractor in association with the use of the District's land for detention. The engineer presented a landscaping plan received from Rochester that will be attached as an exhibit to the Right of Entry Agreement. The attorney noted that she was awaiting comments from the District engineer regarding the draft of the Right of Entry Agreement. Upon motion made, seconded and carried by a vote of three to one, with Director Johnson opposing, the Board approved the form of the Right of Entry Agreement as presented, subject to review and final approval by the District engineer.

21. The attorney presented drafts of fill easements for the benefit of Lennar. The Board previously approved the concept of allowing Lennar to place some fill dirt on a small portion of wooded District park property, provided that the District would not be responsible for maintaining the fill. Accordingly, the fill easements as drafted by the attorney provide that the owner of the lot is responsible for maintaining the fill in the easement. The attorney noted that she was awaiting the engineer's review of the fill easement documents. Upon motion duly made, seconded, and carried with a vote of three to one, with Director Johnson opposing, the Board voted to approve the fill easements as presented, subject to review and final approval by the District engineer.

22. The Board discussed election of officers. The Board members discussed the possibility of rotating officers each year, so that each Board member can have a thorough understanding of the District's business. The Board agreed to place the matter back on the January agenda when all five Board members should be present.

23. Teague Harris presented an engineer's report, a copy of which is attached. Regarding the 16-inch water line on North Diamondhead, the project is complete and has passed final inspection. The engineer recommended payment to Alcott, Inc. for Pay Application No. 2 and Pay Application No. 3 and Final in the amount of \$35,240.45. The Board concurred with the engineer's recommendation.

TxDOT is widening FM 2100, and approximately 100-feet of 12-inch water line is located on the west side of FM 2100 north of Diamondhead. The operator believes the line was constructed by Crosby ISD and would be paved over by TxDOT. The short dead end line is not needed to serve existing District land or any tracts that could be annexed, and the operator and engineer recommended abandoning the line in place. The Board authorized abandonment of the line in place.

The engineer next discussed the FEMA mitigation plan and grant application at the wastewater treatment plant. The support structure for the generator and top of the fuel tank must be elevated to be two-feet above the five hundred year flood plain. The District will need to build a new foundation for the generator. However, the engineer believes that the District can get a variance from the support structure criteria from Harris County. The District will have to request a variance, but Harris County's procedures first require that the plans be submitted, reviewed and rejected. The engineer has had a conversation with FEMA and they have indicated concurrence with this plan of action. The Board expressed concerns with the progress of the FEMA project and the upcoming deadlines. Director Johnson asked whether the District could apply for an extension of time before the extension that the District already received from FEMA for mitigation will expires in February. Teague Harris reported that FEMA has verbally indicated that the District will be able to receive another extension. Director Johnson noted that if the District could go ahead and apply for the extension and receive it, the Board would have the assurance that the District mitigation project will continue to move forward. Teague Harris stated that he did not know the answer to the question but would check with FEMA.

The Board briefly discussed the designation of a secondary FEMA representative. The FEMA portal still reflects that Delilah Arolfo is the secondary contact. She stated that she was capable of doing the work and would do the work, but only if all parties are involved in all

conversations. The Board agreed that it would be appropriate to keep Delilah Arolfo as the secondary contact.

The engineer discussed the combined office and motor control center. The engineer has been trying to get a concept of how much it will cost to raise these structures. The engineer asked for input from the Board on whether the Board wanted to continue with the project if FEMA funds were not available.

Director Chasteen interrupted the engineer's report and asked for clarification about the status of FEMA's projects. She asked the engineer whether he had uploaded any information into the FEMA portal during the month, and the engineer stated that he had not. Director Chasteen noted her disappointment with the fact that the engineer has not shown progress to FEMA. Teague Harris stated that he accepted the criticism from Director Chasteen.

The engineer next discussed the stormwater and effluent pump station and walkway to the berm. The engineer stated that he wanted to meet with the District operator on the design criteria for the pumps. A lengthy discussion ensued regarding FEMA regulations and FEMA's evaluation for funding for the project. The engineer and operator have a different understanding of the analysis that FEMA will make when determining whether to fund the project. The engineer reiterated his desire to meet with the operator. Delilah Arolfo noted that design of the pumps should be done by the engineer, and she would not substitute her judgment for the engineer's judgment with regard to sizing of pumps. She noted that her team would be happy to meet with the engineer to discuss operational issues. Delilah Arolfo reiterated the need for engineering plans to be provided to FEMA so that their evaluation can continue.

The engineer next discussed the Phase 1 sanitary sewer rehabilitation. The engineer plans to begin advertising in early January and have bids for the Board's review at the February meeting. The engineer received an email from Johnson Development requesting that the District invoice them for the \$5,000 to evaluate interim and permanent sewer service. The engineer will prepare and send the invoice.

At the Union project, the sanitary sewer lift station lift pumps have failed multiple times. The engineer does not recommend that the District accept the lift station until they determine what the problem is. The engineer has been in contact with Jennifer Tantum, who supervised the construction at the Union, and she will get involved to make sure that the problems are properly addressed.

The engineer submitted the master permit for the storm water detention basins. The County has approved the applications and payment has been submitted.

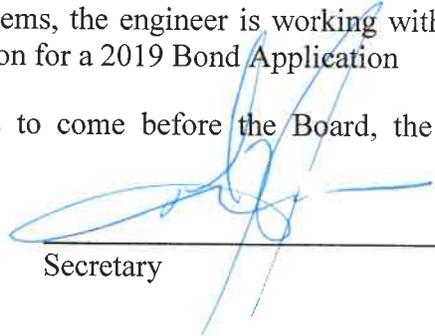
The engineer next discussed development and utility service items. Lennar requested and received Board concurrence with clearing and grubbing Pay Estimate No. 6 for Newport Section 7 and detention basin Payment Estimate No 1. The engineer requested and received Board authorization to issue a water and sewer utility commitment for Newport Section 7 Partial Replat No.1 for 58 single family lots.

The engineer discussed Rochester's development of Newport Section 10. The engineer requested and received the Board concurrence in awarding Section 6 and Section 10

clearing and grubbing contracts to the low bidder, K&K Earthworks, the amount of \$124,592.10. Contract award would be subject to receipt of insurance documents, Form 1295, bonds, and related matters.

With regard to general District items, the engineer is working with the financial advisor to update reimbursable cost documentation for a 2019 Bond Application

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



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Secretary