

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
February 21, 2019

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on February 21, 2019, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

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

and the following director absent:

None.

Also present were Rich Harcrow, Carlos Castrejon, Christine Matzonkai, Andrea Martin, Delilah Arolfo, Delia Yanez, Jorge Diaz, Debbie Shelton, Bill Rosenbaum, Chad Rochester, Clint Sutton, Nino Corbett, Don Cox, Terry Libbra, and Jennifer B. Seipel, on behalf of the 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 minutes of the meetings of January 17, 2019, February 1, 2019, and February 15, 2019 were presented for the Board’s review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The Board considered customer inquiries. Don Cox addressed the Board and congratulated the President and the District’s operator on recent awards they received.

3. Delia Yanez presented a tax assessors/collector’s report, a copy of which is attached. The District’s 2018 taxes are 89.66% collected, and all prior years were over 99% collected. 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. Upon unanimous vote, the bookkeeper’s report was approved as presented, with the Board electing to withhold payment to IDS Engineering Group, Inc. pending further discussion of the invoice presented.

5. The Board reviewed the annual CPI adjustment, late fees, and document production fees for the groundwater reduction contracts. In January, the Board asked the attorney to undertake efforts to determine the market value of Series A groundwater certificates, which are similar to the groundwater credits sold by the District. Ms. Seipel reported that the market value of Series A groundwater certificates is approximately \$4.10 per 1,000 gallons. The

District Board then discussed whether it should raise the rate it currently charges for its groundwater credits. After some discussion, the Board requested the attorney to determine the extent to which a rate increase would affect the overall amount of money generated as a result of these groundwater credit agreements.

6. There was presented the attached Resolution Authorizing Challenge to the Appraisal Roll. Ms. Seipel noted that the preliminary tax roll is released in May, and the tax assessor has a limited amount of time to review the roll and challenge any errors or omissions that are found. The tax assessor should be authorized to make such challenges on the District's behalf. Upon unanimous vote, the Board approved the resolution as presented.

7. The Board reviewed developers' reports. Carlos Castrejon reported that wet weather continues to slow construction. The detention pond has been completed. During the prior month, Lennar had one sale, with 19 homes being under construction.

Chad Rochester provided an update on his developments.

8. The Board then considered several requests from Rochester Enterprises for (i) a sanitary sewer easement along the water plant site, (ii) permission to advertise water, sewer and drainage improvements to serve Newport Sections 6 and 10, and (iii) approval of Pay Application No. 1 for clearing and grubbing work. After discussion, the Board decided to undertake consideration of these items at its March 4, 2019 special meeting.

9. The Board considered District operations. The District accounted for 99% of the water produced.

At the wastewater treatment plant, the District had average daily flow of 1,042,000 gallons. There was 5.8 inches of rain, and the plant operated within permit. The operator performed District work as listed on the report.

Jeff Bowman presented quotes for replacement of a compressor. Director Hasse asked about whether the District should purchase two compressors, rather than just one, in case of an emergency in the future. Mr. Bowman and Ms. Arolfo agreed with the suggestion. Upon unanimous vote, the Board authorized the operator to purchase two compressors provided that the cost did not exceed \$25,000.

Andrea Martin presented the billing and collections report. Total current payments were \$284,726, while total current billing was \$299,379.54. As of today, the arrears totaled \$29,849.07. Ms. Martin also reported that the operator's billing software experienced a malfunction, and some District residents who have elected to auto-pay their bill were charged twice. Ms. Martin confirmed that all affected persons had been contacted and the duplicative charges had been reversed.

Christine Matzonkai discussed FEMA reimbursement projects. Upon unanimous vote, the Board approved the operations and billing and collections report as presented.

10. The Board discussed parks and trails matters. The operator reported an incident at South Diamondhead involving a skirmish with several teenagers. Upon unanimous vote, the Board approved the parks and trails report as presented.

11. The Board considered the engineering contract presented by Lockwood, Andrews, and Newnam, Inc. Ms. Seipel reported that her office has reviewed the contract and has a few minor comments that she believes can be easily addressed. After some discussion, the Board voted to approve the contract, subject to final review and approval by the District's attorney.

12. Bill Rosenbaum presented the engineer's report. Mr. Rosenbaum thanked the Board for the opportunity to serve the District and reported that he recently toured the District's plant and intends to begin work on several ongoing District projects.

13. Debbie Shelton presented a financial advisor's report and discussed the Bond Application cost summary. She stated that she continues to work with the attorney and engineer on the District's forthcoming Series 2019 Refunding Bond issue.

14. The Board tabled action on the Series 2019 Refunding Bond issue for consideration at its March 4, 2019 special meeting.

15. The attorney reported on activities undertaken on the Board's behalf during the previous month.

16. The attorney noted that the District was required to review the FTC identity theft red flag program on an annual basis. The attorney recommended that no changes be made to the program. Accordingly, upon motion duly made, seconded and unanimously carried, the Board voted unanimously to adopt the attached Resolution Affirming Identity Theft Prevention Program.

17. The attorney for the District then discussed with the Board the requirements of Senate Bill 625. The law requires districts to annually provide certain records and information concerning the District's finances and tax rates to the Texas Comptroller of Public Accounts. The comptroller has created a special information database on their website, where the information will be assembled, updated, and made available to the public free of charge. The required information is already publically available in other places, but the law requires submission of the information to the comptroller. The information includes the name of the District, the names of the Board members, any employees, addresses, websites if applicable, names of certain consultants, the total amount of bonds authorized by District voters, the aggregate principal amount of bonds issued, the tax rate, and audited financial information. Upon unanimous vote, the Board authorized the attorney to prepare and file the required report by the April 1, 2019 deadline.

18. The attorney presented two groundwater reduction agreements for the Board's review and approval. Upon unanimous vote, the Board approved groundwater reduction contracts with Govinji Multiple Business, LLC for 1.26 million gallons for one year and Galperti, Inc. for 7 million gallons per year for two years.

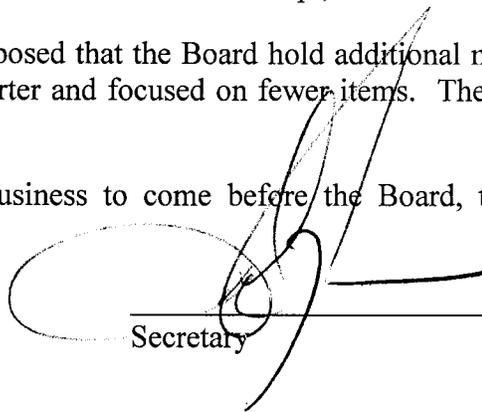
19. The Board discussed the garbage collection contract. At the request of the Board, the attorney presented three bids for trash collection. The Board noted that the rates set forth in these bids were significantly higher than the rate being charged by the District's current provider. After some discussion, the Board authorized two of the Board members to meet with the District's current provider to discuss what changes could be made to address the District's concerns about its current trash service.

20. The Board discussed the meeting and office building. The Board tabled the matter to allow the engineer to provide input.

21. Under pending business, Director Hasse inquired as to whether the Board would be interested in placing signage at its parks and trails that would let visitors know that the area is being patrolled. The Board seemed amenable to the concept, but no decisions were made.

Director Johnson then proposed that the Board hold additional monthly meetings so that the agendas and meetings are shorter and focused on fewer items. The Board members expressed their openness to the concept.

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



Secretary