

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

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on March 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 Kelly Shipley, Eileen Fashoro, Bill Rosenbaum, Rich Harcrow, Chad Rochester, Jorge Diaz, George House, Christine Matzonkai, Andrea Martin, Clint Sutton, Esther Kumaga, Jeff Bowman, Don Cox , and Lori G. Aylett, 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 February 21, 2019 and March 4, 2019 were presented for the Board’s review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. There were no customer service inquiries for the Board’s consideration.

3. Esther Kumaga presented a tax assessors/collector’s report, a copy of which is attached. The District’s 2018 taxes are 94.33% collected, and all prior years were over 99% collected. Two wire transfers were made, 25 checks were issued and one check was voided. 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 District has 10.5 months of operating reserves. The Board reviewed the checks and expenditures in detail. Upon unanimous vote, the Board approved the bookkeeper’s report as presented and authorized payment of checks listed thereon.

5. The Board discussed the price to be established for groundwater reduction contracts. The Board evaluated the offering price of certain related Series A groundwater certificates issued by the Subsidence District, as well as City of Houston’s GRP charges. In addition, the Board considered the disincentive fee that well owners must pay to the Subsidence

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District if they over pump their allotment. Director Johnson expressed some initial hesitation about raising the groundwater rate, because the District has had a steady stream of customers. The attorney checked with the legal assistant in her office who is most active in the sales of Newport's groundwater credits. The legal assistant recommended that the Board increase their rates to \$3.75 per 1,000 gallons. The attorney noted that the Board can change the pricing at any time at its discretion. Upon unanimous vote, the Board agreed to establish a groundwater reduction contract price of \$3.75 per 1,000 gallons.

6. The Board reviewed developers' reports. Carlos Castrejon reported on the activities of Lennar's developments. They have had seven sales year-to-date. The plat of Section 7 Replat 1 was filed, and there are 58 lots in this section. Replat 2 is in the process of design, and there will be approximately 45 lots in that section. The next phases of Replats 3 and 4 will contain a total of about 100 lots.

Chad Rochester reported on the status of his projects. The clearing and grubbing in Sections 6 and 10 is underway. The developer delayed the bid opening on the water, sewer and drainage project.

The Board agreed to defer consideration of the Newport Seven Land request for land donation and reimbursement, as no representative was present at the meeting.

7. The Board reviewed an operations report. The District well permit year end was February 28, 2019, and the operator is applying for the conversion credits for groundwater that was not utilized. The District had 96% water accountability. The operator reviewed completed work at the surface water treatment plant. The operator recommended purchase and utilization of a variable frequency drive for the raw water pumps 1, 2 and 3 at a cost of \$14,990. Upon unanimous vote, the Board approved the purchase based upon the bid received. At Water Plant No. 1, the operator recommended replacement of two gate valves at a cost of \$9,895 and the overflow and drain flap gate at a cost of \$900. The Board concurred with these purchases.

At the wastewater treatment plant, there was three and a half inches of rain and the plant operated within permitted parameters. The operator deragged lift station pumps four times at the S. Diamondhead lift station. The operator will make contact with the daycare center, because it appears that they are flushing wipes down the toilet.

Rich Harcrow discussed completed District work. Environmental Allies did the spring over seeding and mowing at the detention ponds. The operator completed the retro fit of the large meters, which can now be read from the District's office. The operator was present during the startup of the IUOE lift station. The lift station appears to be in working order, and soon the District will be in a position to accept the lift station for permanent maintenance.

Andrea Martin presented the billing and collections report. Total current billing was \$297,247.06, while total current payments were \$336,303.45. The current arrears as of today's meeting totaled \$18,953.

The Board discussed the garbage service and the garbage contract. Directors Hasse and Johnson reported on a meeting they had conducted with Aggressive Waste regarding the continuing missed pick ups. Aggressive Waste plans to solve the problem by having four trucks in Newport on collection day. Aggressive Waste stated that some factors that have prevented them from making all of the collections as required are landfill traffic, high temperatures, traffic in the District, and related matters. Aggressive Waste lost four trucks during Harvey and this has put a hardship on them. They are waiting for their contractor to mark some of the current trucks with the logo. In addition, the contractor had health issues and personnel issues with several drivers in a very short time period. Director Johnson recommended that in future contracts, the District should require the contractor to commit five trucks to Newport.

Lori Aylett advised of the legal provisions of the current contract. Equipment must be kept in orderly condition and must be marked. Pick up times must occur between the hours of 7:00 a.m. and 7:00 p.m. Aggressive Waste must use a live person and not an answering service during business hours. The Board requested the attorney correspond with the contractor and obtain a schedule for compliance with all terms of the contract.

The Board considered a parks and recreational facilities report. The operator is installing mulch. There was a grass fire on February 18, 2019, but it was extinguished without damage to District facility or third party property. The District currently has issued 823 key fobs for park use. The Board approved one party. Upon unanimous vote, the Board approved all operations, parks, and billing and collections reports.

8. Bill Rosenbaum presented the engineer's report, a copy of which is attached. The engineer presented a utility commitment for Newport Section 7 Partial Replat 3 consisting of 39 lots. Upon unanimous vote, the Board approved the utility commitment as presented.

Developer Lennar Homes requested Board authorization to advertise for water, sewer, and drainage construction in Section 7 Partial Replat 3. The engineer confirmed that he had reviewed the plans and has no objection to advertising for bids. The Board authorized advertisement.

The engineer presented Pay Estimate No. 2 in the amount of \$37,350 for clearing and grubbing for Sections 6 and 10. The engineer stated that he had reviewed the pay estimate had no objections to its payment. Upon unanimous vote, the Board concurred with developer's payment of Pay Estimate No. 2.

The engineer presented Pay Estimate No. 2 in the amount of \$148,221.45 and Pay Estimate No. 3 in the amount of \$34,125.75 due to Rebel Contractors for Section 7 detention work. The engineer stated that he had reviewed the pay estimates and had no objections to their payment, upon unanimous vote, the Board concurred with the developer's payment of such invoices.

The engineer reported that the District can anticipate receipt of a change order for the detention pond construction. The developer and the contractor have agreed to increase the length of the back slope and add riprap; however, other quantity reductions were made, so that the net effect is a reduction \$23,433.60.

The Board reviewed a pay estimate to Texasite in the amount of \$224,279.10 for water, sewer and drainage in Newport Section 7 Partial Replat 1. The Board concurred with payment of the pay estimate.

The engineer received a telephone call from Caldwell, which is interested in developing a 16.8 acre tract know as the Crosby New Hope Baptist Church tract. The engineer asked how to proceed with phone calls from various developers regarding annexation and utility matters. The Board noted that they would be interested in hearing a proposal from the developer regarding their plans for development. The tract is not currently located within the District. Finally, in response to a question from the Board, the attorney noted that MUD 525 did pay \$5,000 for a feasibility study for sewer service but has not contacted the District again regarding the matter.

9. The attorney presented drafts of the Drought Contingency Plan and Water Conservation Plan. The District is required to have such plans and update them on a five year basis. The attorney requested that the engineer and operator review the proposed plans and make recommendations for any changes at the April meeting.

10. Debbie Shelton reported on the status of the District's 2019 Refunding Bonds. The bonds priced yesterday, and the financial advisor was very pleased to report that the District achieved 6.03% present value savings, which was well more than anticipated. The Board congratulated the financial advisor on a job well done.

11. Lori Aylett reported on the status of activities undertaken on the Board's behalf. During the past month, she assisted the engineer with transition, prepared updates to the Drought Contingency Plan then Water Conservation Plan, and worked with the financial advisor on the refunding bond issue.

12. The District had two groundwater reduction contracts for the Board's approval. Customer Chin Liang Chen requested 2 million gallons of groundwater credits, while Tenaris requested 1.41 million gallons. Upon unanimous vote, the Board approved the two groundwater reduction contracts as presented.

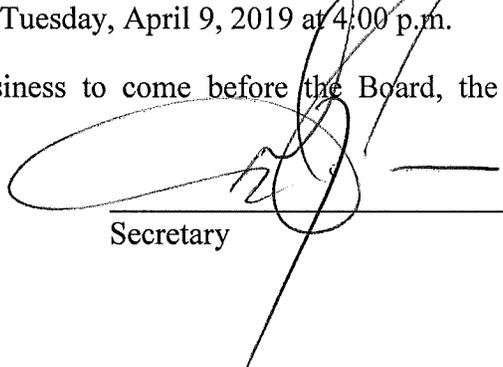
13. The Board briefly discussed the meeting and office building. Director Hasse noted that he was capable of designing the meeting and office building, but he was not an architect. The plans would need to be approved by an architect. Director Boykin noted that he had not yet seen a draft of the proposed plans. The District's engineer stated that he would review the plans and consult with the architects in his office.

14. Under pending business, Director Johnson asked if the District Board members could reach out to the condominium owners to see if the District could change the

narrative regarding the rates being charged to them. Director Hasse noted that the he had had several conversations with them last year, and he will provide that information to the attorney.

The Board noted the need to have a workshop meeting to discuss developer reimbursement contracts, park bonds, the cost summary for the next water, sewer and drainage construction bond issue, and the need for a bond election. After discussion, the Board agreed that a special meeting will be conducted on Tuesday, April 9, 2019 at 4:00 p.m.

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



Secretary