

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
May 16, 2019

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on May 16, 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 Esther Shaver, Kelly Shipley, Crystal Kirby, Emmett Kirby, Mike Nelson, Bill Killian, Nino Corbett, George House, Rich Harcrow, Jorge Diaz, Andrea Martin, Chad Rochester, Christine Matzonkai, Don Cox, Debbie Shelton, Carlos Castrejon, 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 April 18, 2019 were presented for the Board’s review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The Board discussed the garbage collection contract. Crystal Kirby and Emmett Kirby of Aggressive Waste addressed the Board regarding their contract. They both confirmed that they understood that the hours of collection were 7:00 a.m. to 7:00 p.m., and they apologized for the continuing late and missed collections. Mr. Emmett Kirby stated that he knew he was at the meeting with his head “on the chopping block,” and he stated Aggressive Waste has been experiencing a lot of delays at the landfill. The company plans to get two more trucks, which should arrive within 30 days. This will give them relay trucks that are empty and available to address problems caused by the delays at the landfill. Mr. Kirby also noted that he has had issues with his company’s employees. Aggressive Waste has partnered with a labor company to assist with finding and qualifying laborers, and so far the partnership has been working out well. As for the trucks, at one point, Aggressive Waste had to purchase used trucks, and according to Mr. Kirby they were marked even though they were not uniformly marked and painted. Crystal Kirby stated that her company could do the job but they are frustrated and they understand that the Board is frustrated. They stated that they wanted to maintain the District’s business. In response to a question, Ms. Kirby indicated that there were three trucks in the District today.

Director Johnson stated his opinion that there should always be four to five trucks on the route in the District on collection days.

Bill Killian and Mike Nelson of Frontier Waste introduced themselves to the Board and presented a proposal that they had prepared at the request of the Board President and the attorney for the District. Frontier Waste currently collects garbage for the City of Liberty. Frontier Waste presented a PowerPoint presentation on their qualifications and noted that they had GPS on all of their trucks and the routes were timestamped. The contractor presented insurance information. The company observes six holidays. Their contract would contain a Consumer Price Index increase, but there would be no fuel charges as long as diesel does not exceed \$3.75 per gallon.

Frontier Waste presented two proposals. For Monday/Thursday collections, they bid a price of \$16.10 per connection. For their second option, they offered to divide the District in half at Gum Gully with the south section of the District getting Monday/Thursday collection and the north section of the District getting Tuesday/Friday collection, at a price of \$14.40 per home. In addition, Frontier Waste presented proposals for an automated service of \$18.25 per month with carts, and \$22.25 for carts and recycling carts. Frontier Waste uses Waste Management – Atascocita for its landfill. They do have a service assist program for elderly and disabled residents. In response to a question from the Board, Frontier Waste indicated that they could begin serving within 30 to 45 days if the District accepts a proposal for its customers to use their own cans, and it would take approximately 6-8 weeks if the District wants to go to Frontier-owned carts. Director Chasteen indicated that she liked the idea of using containers. Director Hasse noted that he likes the new trucks Frontier Waste is proposing to use. Director Hasse noted that now that the District has a website, it might be able to solicit customer feedback on whether to offer recycling. Director Johnson noted that the District had raised its bill to customers by \$5.00 on January 1, 2019 to try to build a reserve fund and stop operating at a deficit. He stated that while he liked the idea of automated service, he was concerned about whether the District could afford it. After a thorough discussion, the Board agreed to conduct a special meeting on May 31, 2019 at 2:00 p.m. to discuss the garbage contract in more detail.

3. There were no customer service inquiries.

4. Esther Shaver presented a tax assessors/collector's report, a copy of which is attached. The District's 2018 taxes were 96.61% collected, and all prior years were over 99% collected. There were six checks presented and one wire transfer 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. The Board was pleased to note that the District has over 10 months of operating reserves. The bookkeeper reviewed the checks and expenditures in detail with the Board. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of checks listed thereon.

6. The Board considered development reports. Carlos Castrejon reported on the development efforts of Lennar. They have completed construction of utilities in Section 7 and are starting a model home next week. The product will be similar to Section 12 (also known as North Wood). The average home cost will be about \$200,000. Mr. Castrejon confirmed that Lennar uses Metro Study to conduct market studies to determine the product to offer. He discussed the phasing for development of Section 7. In the first phase, there will be approximately 60 lots of 45 to 50 feet in width. Phase 2 will have 39 lots at 45 to 50 feet. Phase 3 will have about 100 lots, and the developer does not yet know the size. There have been two sales during the month and 15 sales year-to-date.

Nino Corbett reported on the status of his developments. In Newport Court, there are approximately three to five sales per month there are approximately 20 homes left to sell, and four unimproved lots left. The average sale price is about \$250,000.00. Mr. Corbett continues to negotiate with builders in the first phase on Newport Pointe. He is planning lot sizes of 50-feet by 130-feet in Newport Pointe, and it appears that the market in the area is for homes with a lower price point. He anticipates delivery of lots in July of 2020. There will be a separate Homeowners Association in Newport Pointe. They will have their own recreational center, walking trails and lakes.

Chad Rochester reported on his development. The clearing and grubbing contractor got the chipping equipment going in Sections 6 and 10. The contractor claims that it will be chipped and hauled off within three weeks. With regard to the Section 9 detention pond, Mr. Rochester noted that Eco Services has addressed all except one remaining punch list item. When the pond is complete, Mr. Rochester will call the District engineer to re-inspect. Director Chasteen asked if Mr. Rochester had addressed the concerns about access for mowing and maintenance. Mr. Rochester stated that he believed there would be enough access, and the sides were sloped so that it could drain well. Director Hasse suggested the addition of a culvert in one area to ease access. Rich Harcrow noted that he was not sure whether the hydro mulch had taken or not and confirmed that the operator is concerned about access to the pond. Mr. Rochester noted that the pond had been difficult to complete since the contractor, Monarch, had gone out of business at the end of the contract. Mr. Rochester will attempt to address the Board's concerns about access.

7. The Board reviewed Rochester's development request to use fill dirt from the sewage treatment plant. Bill Rosenbaum confirmed that the dirt would not be useful for any District purpose, and the operator confirmed that it was in the way of their operations. The Board granted Mr. Rochester's request to use the fill dirt, if needed, provided that he coordinate an access with the District's operator.

8. The Board considered a request from Rochester Development to enter into a reimbursement contract for development of patio homes on Golf Club Drive, along with the corresponding utility commitment. Mr. Rochester noted that the cost of the development would be approximately \$400,000.00 Director Hasse noted that he had concerns with making any further commitments until the District has a successful bond election. Mr. Rochester stated that he was willing to accept a conditional reimbursement agreement. Director Chasteen that she has ongoing concern about Rochester's completion of existing projects in the District. After

discussion, the chair called for a vote. Upon a vote of three to zero, with Director Johnson and Florus abstaining, the Board declined to approve the request for a reimbursement contract and utility commitment for Rochester Development for development of patio homes on Golf Club Drive.

9. The Board reviewed the operations and billing and collections reports. The District had 95% water accountability. The Board reviewed the completed items at the surface water treatment plant and water plants. Director Hasse asked about the status of the generators, and the operator confirmed that the District has working portable generators. The sewage treatment plant operated with no permit violations. There were three builder back charges. Mr. Harcrow presented a breakdown of charges for detention pond maintenance. Andrea Martin presented a timeline of a recent extreme weather event. There were no permit violations and no bypasses as a result of the rainfall event, and no residents lost District services. The District facilities had six inches of rain between May 9 and May 10, 2019.

Andrea Martin presented the billing and collections report. Total current billing was \$315,136.17, while total current payments were \$324,235.05. The current arrears as of today's meeting totaled \$26,045.13.

The operator presented the Aggressive Waste customer service log for the month of April, which indicated one yellow tag for missed household trash and one yellow tag for missed heavy trash. The operator reported that three complaints were received from residents directly to the operator's office and there were numerous complaints on social media. There was a missed pickup on Monday for parts of the District, and Crystal Kirby did notify the operator and it was posted to the District's website.

The operator discussed the FEMA mitigation items. FEMA has provided conflicting information throughout the process regarding whether the District must repair or mitigate certain items. The District had filed for mitigation projects for the control building, the motor control center, the blowers, the flood pumps, and the generator. However, now FEMA has stated that because the District has flood insurance and as long as flood insurance is maintained, FEMA will pay claims without requiring mitigation. Professional Utility Services recommended that the District continue to pursue mitigation of the control building, the flood pumps, and the generator. Professional Utility Services recommended withdrawing mitigation claims for the motor control center and the blowers. The engineer can design the control building to be capable of adding the motor control center at a later date, if it ever floods again. Upon unanimous vote, the Board agreed to withdraw mitigation claims for the motor control center and the blowers.

10. The Board reviewed the parks and recreational facilities report. The operator met with a landscape architect to discuss designs at the park site. Director Chasteen noted that she had attended an AWBD presentation on Nature Play Concepts, and she is very excited for the Board to pursue those updates to the District's park. The operator presented a bid for \$5,095.00 to install paving to provide better access to the barbeque grills at the three parks. The Board approved construction of the access to the grills. Upon unanimous vote, the Board approved the parks and recreational facilities report and the events listed thereon.

11. Kelly Shipley presented a District engineer's report, a copy of which is attached. The engineer reported that the developer had received bids on behalf of the District for water, sewer and drainage facilities for Sections 6 and 10. The low bidder appeared to be Burnside Services with a bid of \$983,762.75. The District engineer concurs with award of the contract but noted that plan sets must be approved by the City of Houston and Harris County prior to construction. The next action item that the engineer presented was for award of a contract for water, sewer and drainage facilities to serve Newport Section 7 Partial Replat 3. The developer's engineer received bids and the low bidder appeared to be Crostex Construction in the amount of \$477,005.90. The District engineer concurred with the recommendation of award of the contract made by the developer's engineer, subject to approval of plans by the City of Houston and Harris County prior to construction.

With regard to the FEMA design work, the District engineer has engaged RDP Structural Engineers to complete the project, and they are currently obtaining the required errors and omissions insurance. The engineer met with Harris County Flood Control District to request a variance to the additional structure requirements for a 100-year flood plain. The meeting was held on April 15, 2019. The engineer also met with HL&P to resolve the incorrect location on the existing powerline easement. The current location of the easement conflicts with the proposed generator, and the easement is not properly aligned with existing powerlines. At the conclusion of the report, the Board voted unanimously to approve the engineer's report and concur with award of the two developer construction projects, subject to receipt of approved plans from all regulatory authorities.

12. Lori Aylett presented an attorney's report on activities undertaken on the Board's behalf during the previous month. As part of the report, the attorney presented the annual maintenance for arbitrage analysis report, which indicates that the District is in compliance with all federal arbitrage and rebate laws and does not need to take any additional actions at this time.

13. The Board considered an offer for sale for Lot 54, Block 8 of Newport Section 6. The Board members noted that after the last Board meeting when the offer was made by the resident, the operator visited the site and noted that there appear to be several encroachments on the District's property. Director Chasteen noted that she was not in favor of selling the lot and would like all the encroachments removed, and the other Board members concurred. After discussion, the Board declined to accept any offer for sale of the lot and asked the attorney to communicate with the homeowner that they should remove any encroachments on the District's property.

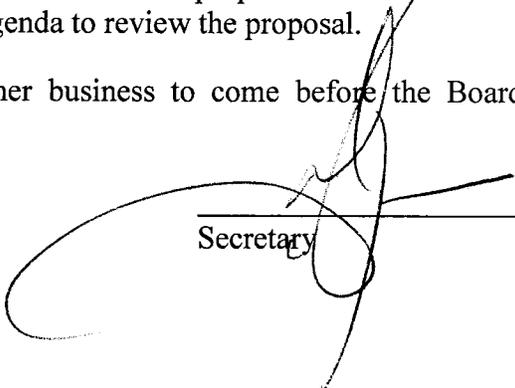
14. The Board considered acceptance of the International Union of Operating Engineer's lift station site and lift station for permanent maintenance. The engineer and operator have inspected the lift station, and it appears to be in good working order and constructed according to all specifications. The engineer has recommended that the District accept the lift station site. Upon unanimous vote, the Board agreed to accept conveyance of the lift station site and the lift station for permanent maintenance.

15. The Board reviewed invoices for supplemental law enforcement. The Board discussed the invoices in some detail and noted that it would be excellent to have more detail on the activities of the law enforcement officer, so that the Board can be informed as to where the problem areas lie. Upon unanimous vote, the Board approved payment of the invoices as presented.

16. The attorney noted that she had no update with regard to the groundwater reduction agreement with Harris County Municipal Utility District No. 525.

17. The Board reviewed the qualifications of architect Kathleen Carpenter and noted that she appeared to be qualified to submit a proposal for architectural services relating to the meeting and office building. Upon unanimous vote, the Board accepted the qualifications of Kathleen Carpenter and requested that she submit a proposal for services. The attorney will place an item back on the May 31, 2019 agenda to review the proposal.

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



Secretary