

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
June 20, 2019

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on June 20, 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, Andrea Martin, Clint Sutton, Delilah Arolfo, Delia Yanez, Jorge Diaz, Kelly Shipley, Bill Rosenbaum, George House, Chad Rochester, Mike Nelson, Jim Carpenter, Carlos Castrejon, Christine Matzonkai, 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 May 16, 2019 and May 31, 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. The Board discussed the termination of the solid waste collection services agreement with Aggressive Waste. The Board noted that there have been numerous instances in which the contractor has not adhered to the terms of the contract, and representatives of the contractor have admitted as much. At the previous meeting, the Board had expressed their intention to have a smooth transition between providers and have the new contractor begin in August. However, since that meeting Aggressive Waste has continued to fail to pick-up the garbage. The problem has continued to worsen, and more expeditious action is needed. Representatives of Frontier indicated that they could "sweep" the District for missed collections on Saturday at additional cost, if necessary. There are two Aggressive Waste trucks in the District as of today. After discussion, the Board agreed that it would be appropriate to begin regular services with Frontier Waste starting on July 1, 2019. Upon unanimous vote, the Board approved a Notice of Termination to Aggressive Waste effective June 30, 2019.

The Board discussed the contract with Frontier Waste Solutions (“Frontier”) in some detail. Director Boykin indicated his concern that the CPI-U adjustment in the contract is automatic. In prior years, the CPI increase has amounted to nearly 4%, and Director Boykin noted that automatic increases at a currently unknown CPI could cause budget constraints for the District. The Board initially indicated their willingness to enter into the contract with the CPI adjustment in spite of Director Boykin’s concerns. However, Mike Nelson of Frontier indicated that Frontier was willing to enter into a contract with a flat 2% adjustment per year if the District was willing to enter into a five-year term. Upon unanimous vote, the Board accepted the contract with Frontier Waste with a five-year term and a 2% annual adjustment.

4. Delia Yanez presented a tax assessors/collector’s report, a copy of which is attached. The District’s 2018 taxes were 97.11% collected, and all prior years were over 99% collected. There were two wire transfers, 10 checks presented and one check was voided due to misprint. 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 District has over 9.59 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 discussed the developers’ reports. Jim Carpenter stated that he had nothing to report on behalf of Rampart at this time.

Carlos Castrejon reported on activities of Lennar. In Section 7, they have started on their model home and have two other starts in progress. They have had about three sales per month, with an average price range between \$200,000 and \$270,000 in Section 7.

Chad Rochester reported on his development activities. The clearing and grubbing contractor is behind in Sections 6 and 10, so the developer has provided the contractor with a notice regarding their intent to pursue liquidated damages. As soon as the clearing and grubbing contractor is complete, Rochester is ready to begin with water, sewer and drainage construction.

With regard to the Section 9 detention pond, the contractor hydro mulched it again. There will be an inspection with the District engineer tomorrow morning.

7. The Board discussed the operations report, a copy of which is attached. Clint Sutton provided information about operation of the District’s water facilities. The District had 98% water accountability. The sewage treatment plant operated with no permit violations.

The operator presented two quotes from Environmental Allies for detention pond work. At the Seven Oaks detention pond, the contractor proposed regrading the bottom and digging out the excavated material. The total cost of the project is \$14,760. Environmental Allies also presented a proposal for repairing the slope erosion on the International Union of Operating Engineer’s detention basin. The total cost of the project is \$23,376. The Board has an agreement with the Union whereby they pay the cost associated with the District’s maintenance

of their detention facilities. The engineer noted that erosion of the slope will continue to be a problem unless the area is back sloped. The engineer will make contact with representatives of the Union to discuss how they may be able to make some proactive modifications to their back slope to prevent erosion in the future. Upon unanimous vote, the Board approved the proposals of Environmental Allies, but the approval for the Union pond work was approved subject to receipt of funds from the Union.

Rich Harcrow gave an operations report and reported on all District work.

Andrea Martin presented the billing and collections report. Total current billing was \$328,595.95, while total current payments were \$335,915.86. The current arrears as of today's meeting totaled \$22,705.95. Deposits in house totaled \$518,092.50.

Ms. Martin noted that they did not receive a garbage report from Aggressive Waste. However, the operator presented a timeline of issues related to garbage collection services for the Board's review and records.

Christine Matzonkai reported on activities relating to FEMA claims. All damage projects are closed except for the generator project, which contains mitigation items. There was erosion on the backside of the berm of the sewage treatment plant, and the operator submitted invoices for reimbursement from FEMA. Delilah Arolfo thanked Kelly Shipley for her hard work on the FEMA project. Ms. Arolfo noted that the engineer's report was very professional and was what was needed to move FEMA projects forward.

Andrea Martin reported that yesterday at the surface water treatment plant, a truck ran through the closed gates, became airborne, and landed in the lagoon. The driver appeared to be impaired, possibly with a stroke. The driver was taken to the hospital by ambulance. The District filed a claim on the driver's insurance for repairs to the District's fence.

Delilah Arolfo reported that the fire department had recently used one of the District's hydrants in a non-emergency situation. Ms. Arolfo is concerned that representatives of the fire department are not acting in a cooperative manner with the District on use of District facilities. Director Florus noted that she had a good working relationship with several members of the fire department, and in particular with the fire chief. She offered to reach out on the District's behalf to see if a dialogue can be opened, and the Board agreed that this would be appropriate. Upon unanimous vote, the Board approved all operations, and billing and collections reports.

8. The Board reviewed the Consumer Confidence Report. The operator noted that the report had been prepared in compliance with federal and state regulations. The report will be provided to all customers who receive a District bill by placing a unique URL on the bill which will be linked to the Consumer Confidence Report. For those customers who live in apartments and other customers on a master meter who do not receive a bill, the operator will hand deliver copies of the Consumer Confidence Report. Upon unanimous vote, the Board approved the Consumer Confidence Report and authorized its distribution as required by law.

9. The Board received a report on parks and recreational activities. There are 864 key fobs issued to District residents. Three parties happened last month, and the Board approved one party to occur this month. Delilah Arolfo reported that the operator did install temporary shade structures at their company's cost, but there were gusty winds and the structures blew away. Upon unanimous vote, the Board approved the parks and recreational facilities report as presented.

10. Bill Rosenbaum presented a District engineer's report, a copy of which is attached. Regarding Rochester's water, sewer and drainage contract for Sections 6 and 10, plan approvals by all entities have now been secured. The engineer has reviewed the construction contract from an engineering perspective and now recommends its execution. The Board authorized execution of the contract as presented.

With regard to Newport Section 7 Partial Replat 3, the engineer has reviewed preliminary plans and the Board had previously authorized award of the contract to Crostex Construction. However, the plans must be approved by the City of Houston and Harris County prior to the District's execution of the construction contract.

The engineer should be ready to bid the generator project within the next couple of months.

Regarding Bond Issue No. 6, the engineer presented a summary of costs and a draft report. The report still needs to be reviewed by District consultants, but the engineer's anticipation is that it will be submitted as an expedited review at the next month's meeting.

The engineer presented a capital improvements plan for the Board's review. Mr. Rosenbaum suggested that the District conduct a workshop meeting so that the capital improvements plan can be reviewed in detail. After discussion, the Board agreed to have a special workshop meeting on Tuesday, June 25, 2019 at 3:00 p.m.

In addition, the Board agreed that when and if special meetings were required, they would first attempt to schedule them on the Monday before the District's regular business meeting at 4:00 p.m.

The engineer reported that last month, the District's sewer plant operated at over 75% of capacity. If this happens for three months in a row, the District will need to make plans for expansion of the plant. Upon unanimous vote, the Board approved the engineer's report as presented.

11. Lori Aylett presented an attorney's report. She provided the Board with written materials from a rate presentation made by the Highlands Division of the San Jacinto River Authority. The District can anticipate that SJRA's raw water rates will steadily increase. The SJRA's goal is to shift away from the issuance of bonds for its capital projects and pay for them out of a maintenance reserve.

12. The Board reviewed the ethics letter and update by Investment Officer Jorge Diaz. The attorney noted that annually the Investment Officer is required to disclose whether he has any personal business relationships with any entities seeking to sell an investment to the District. Mr. Diaz submitted the required disclosure which indicated that he had no such relationships to disclose. Upon unanimous vote, the Board approved the Investment Officer disclosure as presented and authorized its filing with the Texas Ethics Commission and in the minutes of the District, as required by law.

13. The attorney distributed a conflict of interest questionnaire to the Board. The Board members completed the questionnaires, noting no conflicts, and provided copies for the District's records.

14. Ms. Aylett then requested authorization for her firm to work with the operator to compile and submit to CenterPoint Energy the information required to comply with the emergency operations and critical load status for District facilities. This report will register with CenterPoint Energy and other emergency operations agencies the District's critical water and wastewater infrastructure, and those facilities will be given priority for restoration of service after a hurricane or other disaster. In addition, the attorney will submit contact information to emergency operations agencies for the County and the State, as required by law. The Board authorized the attorney and operator to submit the critical load report and emergency operation information on the District's behalf.

15. The attorney reported receipt of correspondence from Harris County Municipal District No. 544 requesting a groundwater reduction agreement. The Board authorized the operator, engineer and attorney to review the request.

16. The Board briefly discussed the proposal for architects. The Board agreed to place the matter back on the special workshop agenda for consideration.

17. At the office building, the operator noted the need to move the DVR and security cameras out of the building as the District prepares to shift its administration building to a new location. Citywide Audio Video Security presented a quote to relocate the equipment. Director Johnson noted that some of the cable specification was not the most current technology and requested another bid. The operator made contact with Citywide and confirmed that the cable is a CAT 5 and not R 59. Upon unanimous vote, the Board approved relocation of the equipment based upon the proposal provided by Citywide.

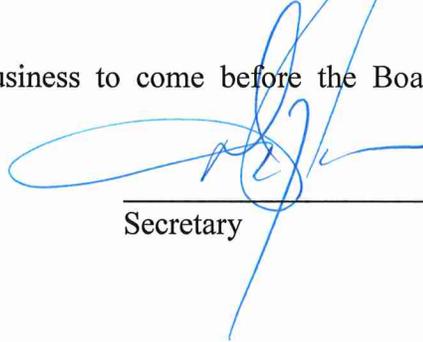
18. Under pending business, Director Johnson noted that he had been contacted by Rampart, who is willing to donate two lots to the District. The Board agreed to put an item on the next agenda to consider the donation.

19. At 5:35 p.m., the Board convened in executive session pursuant to Texas Government Code §551.071 to receive advice from the attorneys regarding potential litigation. At 6:04 p.m., the Board reconvened in regular session. Upon motion duly made, seconded and unanimously carried, the Board authorized payment for the final month of services to Aggressive Waste using a percentage based upon their actual collections made. The Board also authorized

Directors Johnson and Chasteen to act as a committee to calculate the final payment at the end of the month, when all collection days have passed and all facts are known.

20. The Board discussed pending business. Director Chasteen noted that she felt that it would be helpful if the District considered a communications director or other public relations firm. She also stated that it might be helpful to coordinate website announcements so that members of the public can be aware of the actions that the District is taking on the community's behalf.

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

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned above a solid black horizontal line.

Secretary