

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
August 15, 2019

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on August 15, 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 Jorge Diaz, Delia Yanez, Debbie Shelton, Delilah Arolfo, Andrea Martin, Christine Matzonkai, Sherry Wells, Clint Sutton, Rich Harcrow, Chad Rochester, Billy Killian, Bill Rosenbaum, Kelly Shipley, Carlos Castrejon, Simon Vandyk, Jeff Bowman, Mike Nelson, Jeraine Root, Linda Denman, 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 July 18, 2018 and July 25, 2019 were presented for the Board’s review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. The chair entertained customer service inquiries and public comments. Dr. Jeraine Root addressed the Board on behalf of her grassroots organization known as Save Our Woods and Wildlife. She read a statement to the Board, a copy of which is attached. Dr. Root presented a list of 300 residents of Newport who are concerned about clearcutting of forested areas by developers. The Board responded to questions from Dr. Root regarding the District’s existing agreements with developers for both property that has always been located within the boundaries of the District and property that has been annexed into the District. The attorney noted that the District has more flexibility to impose land use restrictions on tracts that are annexed into the District, as opposed to tracts that are currently in the boundaries of the District.

Linda Denman addressed the Board and stated that the San Jacinto River Authority was preparing to build a big dam and asked if this would affect the District’s water rates. The attorney noted that the District pays a fixed rate per 1,000 gallons for raw water, and by contract the SJRA is required to charge that same rate to all other entities that receive raw water. The SJRA’s raw water division is a different enterprise from flood control.

Don Cox addressed the Board and asked if the upcoming bond issue was going to be for infrastructure improvements only. The Board noted that the amount and content of the capital improvements plan is going to be finalized at today's meeting later on the agenda.

3. Delia Yanez presented a tax assessors/collector's report, a copy of which is attached. The District's 2018 taxes were 98.07% collected, and all prior years were over 99% collected. There were six checks presented and one check was voided due to misprint. 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 Board approved the bookkeeper's report as presented and authorized payment of checks listed thereon.

5. The Board next discussed the developers' reports Carlos Castrejon reported on activities of Lennar. He stated that for Newport Section 7 partial replat 3, the developer is wrapping up construction of water, sewer and drainage this week. Plans for Section 7 partial replat 4 are under review by various agencies. Lennar has had 36 sales year-to-date.

Chad Rochester presented a report on behalf of his development. Water, sewer, drainage construction in Section 6 is 80% complete. The detention pond in Section 10 is 90% complete, and water, sewer and drainage construction is beginning. Paving in Section 6 should start within a month.

Chad Rochester reported on the status of the Section 9 detention pond. The soil in the pond area was high in pH, so the developer is going to try a different "recipe" for hydro-mulch to establish turf. The Section 10 utility contractor will take care of installation of the culvert adjacent to the pond after they wrap up the water, sewer and drainage construction.

6. The Board reviewed the District's operations report, a copy of which is attached. The District had 99% water accountability. The wastewater treatment plant operated with no permit violations. The Seven Oaks lift pump No.1 was installed today and is no longer a pending item on the operator's report.

Rich Harcrow presented a report on District work. The District operator performed hydrant maintenance on 66 hydrants. The operator is planning to smoke test on August 26, 2019 in Section 1 and will publicize it on the website and use text and email alerts.

On July 27, 2019, the District operator attended the ISO meeting at the fire department, along with Directors Chasteen and Hasse. The fire department is trying to lower the ISO so that residents will have a better insurance rating, and the fire department recommended that the District conduct fire hydrant maintenance and inspections on an annual basis. Director Chasteen reported that on behalf of the District, she requested that the fire department conduct ongoing training with the District operators and keep an open line of communications regarding fire hydrants and District equipment.

The operator noted that 57 hydrants were tested during the month. Eleven were found to be non-operational and replacements have been ordered. New hydrants cost between \$1,000 to \$1,800 depending on height.

Andrea Martin presented the billing and collections report. Total current payments were \$363,607.89, while total current billing was \$351,550.39. The total current arrears as of today's meeting was \$27,087.46.

Christine Matzonkai reported on the status of FEMA projects. The District still has three pending projects including a sanitary sewer project with an estimated cost of \$601,773.50, the building replacement at the wastewater treatment plant at a cost of \$212,467.50, and berm erosion repairs at a cost of \$6,711.95. FEMA conducted an audit of the District's insurance coverage to make certain that the District will not receive payments from FEMA that should have been paid by the insurance carrier. On behalf of the District, the operator requested another six month extension on the permanent work claims with FEMA. Upon unanimous vote, the Board approved all operations, and billing and collections reports.

7. The Board discussed the parks and recreational facilities report. The operator installed and later removed temporary shade structures at the park. 844 key fobs have been issued. The operator repaired a leak at the splash pad meter and power washed the concrete areas. Two parties were approved. Upon unanimous vote, the Board approved the parks and recreational facilities report as presented.

8. Bill Rosenbaum presented a District engineer's report, a copy of which is attached.

In Newport Section 6 Partial Replat 1 and Section 10 Partial Replat 1, the engineer received Pay Application No. 1 for water, sewer and drainage construction in the amount of \$260,136.59. The engineer confirmed that the pay application is correct and recommended that the Board concur with the developer's payment of the pay application. For Partial Replat 4 in Newport Section 7, the engineer recommended that the District execute a letter notifying Harris County that the District will maintain the detention pond when it is complete. The engineer also reviewed Pay Application No. 1 to Crostex and recommended that the Board concur with the developer's payment of the pay application.

The developer on behalf of the District solicited bids for a clearing and grubbing project in Newport Section 7 Partial Replat 4 and 5. The low bid was submitted by K&K Earthworks in the amount of \$207,590. Only part of the contract will be reimbursable. The engineer recommended that the Board concur with award of the contract to K&K Earthworks.

The engineer met with Harris County staff regarding their review of plan comments for the generator platform at the sewage treatment plant. The County informed the engineer that they want the platform foundation to extend 20-feet below natural ground and a channel study to be performed to show that there is no impact on the floodway to the proposed structure. According to the engineer, the District has three options to resolve the issue before proceeding forward: option 1 would be lengthen the foundations to 20-feet deep and perform a channel study at a cost of \$50,000 to \$80,000. Option 2 would be to perform a geotechnical, structural and drainage study to refute the need for the additional foundation, but the engineer did not recommend this as it has a low probability of success. Option 3 would be to remap the wastewater treatment plant out of the San Jacinto floodway. The cost of option 3 would be \$40,000 and, if successful, the site would be removed from the floodway but remain in the flood

plain. The District would not have to construct the 20-foot deep foundations or conduct a channel study. The engineer recommended proceeding with Option 3 as soon as possible, and the Board concurred.

The engineer reported that Bond Issue No. 6 has been declared administratively complete by the Texas Commissions on Environmental Quality.

The engineer discussed the capital improvement plan and bond capacity study. The District previously held a workshop meeting and has considered draft build-out projections. The engineer revised the groundwater reduction plan schedule and the timing of the next surface water treatment plant expansion. This required an update to the capital improvements plan. The engineer estimates that the District will need a wastewater treatment plant expansion between 2020 and 2024. With regard to groundwater reduction, in 2025, the portion of the District in Subsidence District Area 3 will have to restrict its groundwater to 40%. If MUD 525's growth projections had been accurate, the District expansion would need to take place in 2022 to accommodate the District and MUD 525. The District may be able to delay expansion for another year or two. The engineer recommended that the District stay two years ahead on planning of surface water treatment plant and wastewater treatment plant expansions. In addition, the engineer recommended that the District have a backup water well. It was his opinion that the District should cap Water Well No. 2 and drill a new well on the District's surface water treatment plant site. In summary, the District engineer believes that the District's capital improvements needs for the next 10 years will require an additional \$70 million in voted bond authority.

Finally, the engineer noted that he had preliminary discussions with the Medico family, which owns 330 acres in the boundaries of Harris County WCID 70. They have this property under contract with Crosby Independent School District for school construction. The engineer has been contacted for some preliminary information.

After discussion, upon unanimous vote, the Board approved the engineer's report as presented and authorized all actions as recommended by the engineer.

The engineer discussed engineering assignments that are ready for authorization. The District engineer presented a list of assignments including rehabilitation of Clarifier No. 1 at the wastewater treatment plant, aeration improvements at the wastewater treatment plant, preliminary engineering for the expansion of the wastewater treatment plant, sanitary sewer rehabilitation, rehabilitation of the Tonka Clarifier, replacement of the hydropneumatic tank, and recoating of the elevated storage tank. The engineer noted that bonds have been issued and funds set aside for all of the construction projects except for the Tonka Clarifier and the hydropneumatic tank. While the District may not have construction funds for the Tonka Clarifier and the hydropneumatic tank, preliminary engineering work could be performed using funds from the District's operating account. The Board noted that all of the projects were important. Upon unanimous vote, the Board authorized the engineer to begin engineering work on all of the projects listed on his report.

9. The Board asked that the attorney make the garbage collection report a separate agenda item next month.

10. The Board considered a presentation from TBG Partners regarding design of park improvements. The Board noted that the District is looking to update its parks and trails design. The District has submitted a bond application that includes \$1.4 million for park improvements. TBG gave a presentation on updates to the parks and trails that emphasize nature play. TBG presented its qualifications to perform the work and a list of projects done in other districts and cities. They noted that their design process is to seek community involvement before developing the plans. Their process includes phases for community comment, discovery, development, delivery and post construction evaluation. After discussion, the Board selected TBG as qualified to provide design services and requested that an item be placed on the next agenda to evaluate and consider a contract with them.

11. The Board considered a reserve donation by Lennar. The Board members noted that there appeared to be low spot or drainage issue on the reserve, which is about 35 feet by 120 feet. Lennar committed to fixing the drainage issue before conveying to the District. Upon unanimous vote, the Board agreed to accept donation of the reserve after it has been regraded.

12. The Board considered a contract with BKP Design for architectural design services for the meeting and emergency operations building. The attorney received a standard form of agreement between the District and the architect and had suggested some revisions. The architect's proposed compensation was 7% of the final construction cost of the project. Upon unanimous vote, the Board approved the contract with BKP Design, subject to the attorney's review and final comment.

13. The Board discussed an electricity contract. The District has a current contract with a provider through 2022, but the District's electricity consultant CGP Solutions has indicated that current market prices are favorable and the District can lock in excellent electricity rates for the long term. The Board reviewed some indicative pricing. The attorney noted that electricity prices fluctuate multiple times per day, and the District should select a representative to execute an electricity contract under terms and conditions agreed to by the Board. After discussion, the Board authorized Director Johnson to execute an electricity contract for a term of 36 months at a price not to exceed \$0.033568 per kilowatt hour.

14. Lori Aylett presented an attorney's report on activities undertaken on the District's behalf. She presented two memoranda of law regarding changes made by the last legislative session. She notified the Board that future agendas would begin with a public comment item before the Board takes up its regular business. The attorney also recommended that the Board members create a separate email account and that all District business be conducted to and from the email account dedicated solely for this purpose. The attorney also advised that the information in such email accounts was to be preserved pursuant to the District's records control schedule, which typically provides for a two to four year retention. The attorney also advised the Board that the legislature had rewritten Section 551.143 of the Texas Government Code, also known as the "walking quorum rule." The attorney recommended that directors continue to refrain from communications with other directors regarding District business outside of a Board meeting. The attorney also advised of new laws regarding required information to be placed on water bills and recordings of tax rate hearings made upon a resident's request.

15. The Board requested that the attorney contact the website consultant Off Cinco to get a proposal for providing separate email addresses for the Directors to use for District business.

16. The attorney discussed the tap fee payment and letter of credit from the International Union of Operating Engineers. It appears the Union has a temporary tax exemption in place through 2019, and attorney has confirmed this with the Harris County Appraisal District. The attorney will contact the Union to obtain payment of the 2019 amount of \$225,000 and secure the renewal of the letter of credit for an additional year.

17. The attorney presented one groundwater reduction contract with Williams Brothers for 5 million gallons per year for five years. Upon unanimous vote, the Board approved the groundwater reduction agreement as presented.

18. The Board reviewed an acknowledgement and consent letter from T-Mobile West for modification of their antennae facilities at the surface water treatment plant. The attorney reminded the Board that T-Mobile has a long term lease to place cell tower equipment on the District's surface water treatment plant. Pursuant to this letter, T-Mobile wants to replace that equipment. Rich Harcrow noted that there was an issue with a manway access that needed to be corrected. The engineer reviewed the plans and had no objections to their construction work. Upon unanimous vote, the Board approved the consent and acknowledgement, subject to the addition of language of the plans requiring them to fix the manway access issue.

19. The Board discussed public education outreach with regard to District capital improvements and related matters. Simon Vandyk addressed the Board and stated that Touchstone had been discussing capital needs of the District with its residents. Touchstone has conducted one meeting with selected members of the community. The general consensus in the community is that the MUD has been transparent, and residents had very positive things to say about the District's operator. Residents are concerned about the school bonds and they want to be certain that any funds the District receives will not be mismanaged. Residents want to know how to keep the process transparent. Mr. Vandyk noted that residents will want to see maps, pictures, and videos of the work to be performed and will want to be updated on how the District is progressing with the capital improvements plan. Hurricane and storm resilience is important to residents, as is preservation of trees and green spaces. It will be helpful for the District to provide information on past projects and evidence of a record of good stewardship with taxpayer money. Residents will also want to know what happens if a bond election fails.

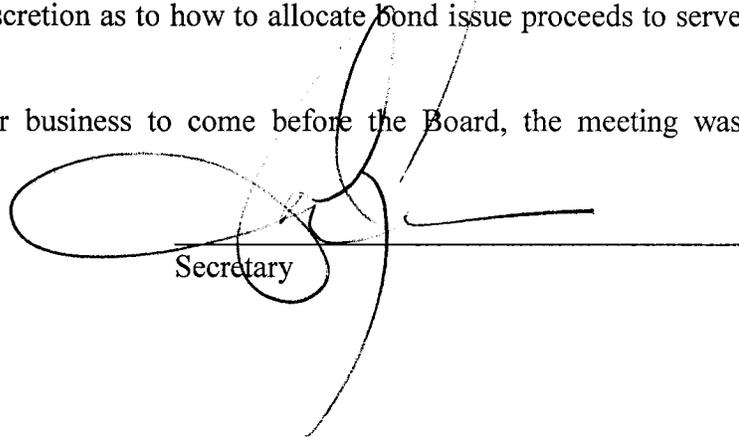
Debbie Shelton provided some information regarding the impact to District residents. She noted that her initial calculations were based on a bond election with a principal amount of \$66 million, and the District engineer has now updated this amount to \$70 million. Based on the \$66 million election, the cumulative impact to the average taxpayer would be about \$685 per year if the projects are developed over a 10 year period. If the project timeline pushes out to 15 years, the impact to the average taxpayer would be about \$568. The financial advisor noted that these numbers would increase slightly if the District calls a \$70 million bond election.

20. The Board returned the discussion to the capital improvements plan and the upcoming bond election. The Board reviewed the engineer's report covering the land, improvements, facilities, plants, equipment, and appliances to be purchased and/or constructed and their estimated cost, together with maps, plats, profiles and data fully showing and explaining the report. After full discussion, upon unanimous vote, the Board approved the attached Order Calling Bond Election, with water, sewer and drainage projects totaling \$70,000,000. The Board noted that no bond funds would be allocated for parks purposes.

21. The attorney briefly reported on the status of the water supply and groundwater reduction agreement with Harris County Municipal Utility District No. 525. The attorney was recently contacted by Perry Senn, who is putting the property in MUD 525 under contract.

22. Under pending business, the chair called for comments from the public. Don Cox stated that he was reiterating his question regarding the purposes of the bond issue. The Board members noted that Mr. Cox had received a copy of the capital improvements plan and all the proposed projects are listed on the plan. The attorney noted that the District's capital improvements plan included both projects for District central plant facilities and purchase of facilities constructed by developers. Mr. Cox asked if the Board members are willing to commit that they would not annex any property. The attorney noted that the capital improvements plan did not account for any property located outside the boundaries of the District, but the District's future Board members would have discretion as to how to allocate bond issue proceeds to serve the best interests of the District.

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



Secretary