

NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

September 27, 2019

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16703 Golf Club Drive, Crosby, Texas, on September 27, 2019, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

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

and the following director absent:

DeLonne L. Johnson, Vice President.

Also present were David Guidry, Don Cox, Sherry Wells, Chad Rochester, Jeraine Root, Delilah Arolfo, Andrea Martin, Rich Harcrow, Clint Sutton, Debbie Shelton, Jorge Diaz, Delia Yanez, Eddie Streich, Andrew Wilkinson, Michael Willett, Simon VanDyk, George House, Lew Spearman, Bradley Langford, Eileen Fashoro, Scott Davis, Jennifer Black, 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 chair entertained public comments. Don Cox stated that he believes the Board is outstanding and that they are putting a lot of time and effort into educating the public about the bond election. He stated that he just had a difference of opinion about the improvements and is not against the Board members at all. Mr. Cox requested more transparency from the Board. He stated that the Board should consider four alternatives for audience participation at Board meetings: 1) interested parties could receive Board meeting packets in advance; 2) consultants could provide at least ten extra handouts at the meeting; 3) the District could use audio visual equipment at the District’s meeting place; or 4) the District could put reports on its website. Mr. Cox also stated that the District’s new building should be prepared for live streaming the meetings. In response to a question from the Board, the attorney noted that reports presented at the meeting were public information. The easiest way to accommodate Mr. Cox’s request would be for consultants to bring extra copies of their reports to the meeting. Director Hasse noted that the new building would take into account modern technology, where practicable.

2. The minutes of the meeting of August 15, 2019 were presented for the Board’s review and approval. Upon unanimous vote, the Board approved the minutes as presented.

3. The Board discussed public education and outreach. Simon VanDyk reported that Touchstone had met with many people in the District to answer their questions about the District's capital improvement plan and the proposed bond issue. Touchstone noted that the capital improvements plan is going to be put on the District's website soon so that people can review it in detail. Don Cox made an additional comment that he liked the District's new water meter system.

4. Delia Yanez presented a tax assessors/collector's report, a copy of which is attached. The District's 2018 taxes were 98.32% collected, and all prior years were over 99% collected. There were seven checks and one wire transfer presented. The tax assessor presented correspondence from the delinquent tax attorney requesting write-off of one business personal property account on which the statute of limitations has run. Upon unanimous vote, the Board approved the tax assessor/collector's report and authorized write-off of the business personal property account.

5. 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.

6. The Board considered developers' reports. Eileen Fashoro stated that Rampart had nothing new to report.

Chad Rochester reported that utilities in Newport Section 6 are 95% complete, and the paving contractor is scheduled to begin next week. Section 10 utilities are 80% complete.

Nino Corbett and Carlos Castrejon were not in attendance at the meeting.

7. The Board reviewed the status of the Section 9 detention pond. Chad Rochester reported that their contractor will re-rake the side slopes tomorrow, and then soil conditioner will be added before attempting to get the turf to grow again.

8. The garbage collection company was not present. The operator stated that they had not had any calls or complaints. Director Boykin noted that he wished the contractor was present because he wanted to personally thank them for their presentation to residents at the ice cream social.

9. The Board considered a request from Crosby Independent School District for water and sewer service for schools to be located within Harris County WCID 70. Sherry Wells addressed the Board and stated that the Metyko family owns 330 acres in WCID 70. WCID 70 cannot serve the tract and has given their permission for the school district to negotiate with Newport MUD. Ms. Wells stated that Crosby ISD wants to purchase 70 acres with an option to purchase an additional 50 acres in the future. Crosby ISD is nearing capacity at several of their schools. The Foley Road area would be a perfect location for new schools due to anticipated population growth. Dr. Davis, the superintendent of Crosby ISD, addressed the Board and stated that their facilities are at 100% from the sixth grade space through the twelfth grade. Crosby ISD requested permission to work with the District's engineer to review capacity and determine whether the District is capable of serving the tract. Upon unanimous vote, the

Board authorized the District engineer to proceed with the feasibility analysis of providing service to the Crosby ISD tract, provided that Crosby ISD will pay all costs associated with the feasibility study.

10. Debbie Shelton presented a tax rate analysis for the District and Defined Area No. 1. Ms. Shelton reminded the Board that setting the tax rate was a two step process, and this meeting represents the first step, which is to authorize publication of proposed rates. The financial advisor showed cash flow of the District's outstanding bonds and the bonds that are anticipated to be issued later this year or early next year. The constraint on the District is the calculation of the total rollback tax rate, which is \$0.5861. The financial advisor recommended that the District publish notice of a proposed \$0.586 tax rate, with \$0.28 for debt service and \$0.306 for maintenance and operations. In addition, the financial advisor recommended that the District publish a proposed Defined Area No. 1 maintenance and operations tax rate of \$0.664. Upon unanimous vote, the Board approved publication of proposed tax rates as recommended by the financial advisor, with a public hearing on such proposed rates to be held at the District's next regular meeting on October 17, 2019. The attorney reminded the Board that a resident had requested that the tax rate hearing be recorded, and a copy of the recording will be provided to him.

11. The Board reviewed the operations and billings and collections report, copies of which are attached. The District's water accountability was 93%. Completed work was listed on the report. Twenty-six fire hydrants have been scheduled for repair as a result of the survey. Two inoperable fire hydrants were located, marked and scheduled for repairs. The operator was pleased to report that they have completed inspection of all fire hydrants in the District. The operator will have a document for every hydrant, and when the hydrants are repaired or maintenance work is performed on them, that report will be updated.

The operator has completed smoke testing in Section 1, and the report has been presented to the District engineer.

The operator discussed Tropical Storm Imelda, which was an extreme weather event. The operator staffed for emergency operations. The operator presented a timeline of activities undertaken by the operator during the tropical storm. Delilah Arolfo noted that she would be communicating with Harris County Flood Control District regarding the levels of water in Gum Gully. The operator noted that in her 30 plus years she has not seen a flood like this in Newport before.

The operator noted that the flood pumps at the wastewater treatment plant were not working as they should. The operator has made a claim to the District's insurance company. In addition, the Handspike Way lift station flooded and the operator filed an insurance claim. Director Hasse asked about how the District could better weatherize all facilities in the event of flood, and the operator stated that their office was working on quotes for such work.

Andrea Martin presented the billing and collections report. Total current payments were \$378,850.81, while total current billing was \$358,602.27. The total current arrears as of today's meeting was \$25,048.59.

The District still has two projects outstanding with FEMA, and the total collected from FEMA and insurance from Hurricane Harvey is \$955,075.88. Upon unanimous vote, the billing and collections reports and operations report were approved.

12. The Board discussed the parks and recreational facilities report. The operator reported on completed work and the Board approved one party to be held. Upon unanimous vote, the Board approved the parks and recreational facilities report as presented.

13. Eddie Streich presented a District engineer's report, a copy of which is attached.

For the water, sewer and drainage project for Newport Section 6, the engineer presented Pay Application No. 2 to Burnside in the amount of \$227,685.96. The engineer also presented Change Order No. 1 for the Newport Section 10 contract. The engineer reported that the change order was due to a discrepancy with a location of existing underground utilities and amounted to \$27,808. Upon unanimous vote, the Board concurred with the developer's payment of Pay Application No. 2 and concurred with issuance of Change Order No. 1.

The engineer next reported on Newport Section 7 Pay Application No. 2 to Texasite in the amount of \$60,121.80. Upon unanimous vote, the Board concurred with the developer's payment of Pay Application No. 2. Mr. Streich next reported on their review of plans for Newport Section 7 Partial Replat 4. The developer will construct a detention pond in that section, and a letter to Harris County is required stating that the District will maintain the detention pond when it is completed to the District's specifications. Upon unanimous vote, the Board approved the issuance of correspondence regarding acceptance of the detention pond when complete.

The engineer kicked off the sewage treatment plant project last week. The engineer next reported on the rapid development of a sink hole in the sewage treatment plant berm levee area. The sink hole is close to the structure that houses the District's storm pumps, and the foundation has cracked. The engineer recommended that the sink hole repair be made on an emergency basis using a limited duration negotiated bid contract. The engineer has already negotiated with one contractor, and the price to repair the joints is about \$65,000. Upon unanimous vote, the Board authorized the repair on an emergency basis by negotiated bid and further authorized the engineer to communicate and seek approval from the Texas Commission on Environmental Quality for such repairs.

After Tropical Storm Imelda, the engineer formulated a flood survey to put on the District's website, and residents were invited to submit to information to assist in the engineer in analyzing areas of concern. The engineer requested and received Board authorization to coordinate with Harris County Flood Control District regarding the recent flooding event. Upon unanimous vote, the Board approved the engineer's report as presented.

14. The Board discussed consultant contract reviews and amendments. The Board noted that prior to budget time, consultants are requested to present any proposals for contract amendment. The operator stated that they would request a contract amendment, and Ms. Arolfo asked for permission to present the proposed contract amendment to a committee of

two Board members prior to the next meeting. The Board appointed Directors Boykin and Johnson to serve on a committee to review the proposed operation's contract adjustments.

15. Lori Aylett discussed the Union's \$3,725,000 letter of credit and payment of their 2019 tap fee. The bookkeeper confirmed that the District received payment of \$225,000 from the Union for the amount it owes for 2019. The attorney advised that the Union is still operating pursuant to a temporary tax exemption, and the District is therefore not yet entitled to draw upon the letter of credit. The District's agreement with the Union provides that if they make the 2019 tap fee payment, the letter of credit is reduced by that amount. The attorney presented correspondence to SunTrust Bank authorizing the reduction in the letter of credit to \$4,500,000. Upon unanimous vote, the Board approved issuance of the letter to SunTrust Bank as recommended by the attorney. Further, the attorney noted that their office will be reviewing the status of the Union's tax exemption in late summer of 2020 to determine whether the exemption has been converted to a permanent exemption, which would then entitle the District to draw upon the letter of credit.

16. The Board tabled consideration of the contract with AVR.

17. The Board tabled consideration of a contract with TBG Partners regarding design of park improvements.

18. Lori Aylett presented an attorney's report. She has been working with the consultants regarding the upcoming bond election.

19. The attorney reported that there was one groundwater reduction contract customer that may be interested, but the contract is not yet ready for the Board's approval.

20. The attorney presented an agreement with Harris County regarding the conduct of a joint election. The attorney explained that the County would conduct the bond election on the District's behalf, but the District would be responsible for providing all necessary notices and translations into Spanish, Vietnamese, and Mandarin. Because the County is now using county wide voting centers, the District had to provide over 800 copies of the Order calling the election to satisfy the legal requirements. Upon unanimous vote, the Board approved the agreement with Harris County for the joint election.

21. Discussion returned again to public education and outreach. Michael Willett noted that he was in the process of circulating a frequently asked questions memorandum. The District's first open house is scheduled for October 3, 2019, and a second open house will be scheduled for October 16, 2019. Touchstone requested that the consultants arrive early to assist with setup. Board members were also encouraged to arrive early to familiarize themselves with the room setup and the various presentations.

22. The Board considered a proposal from Off Cinco to add email accounts for Directors. Upon unanimous vote, the proposal was approved as presented.

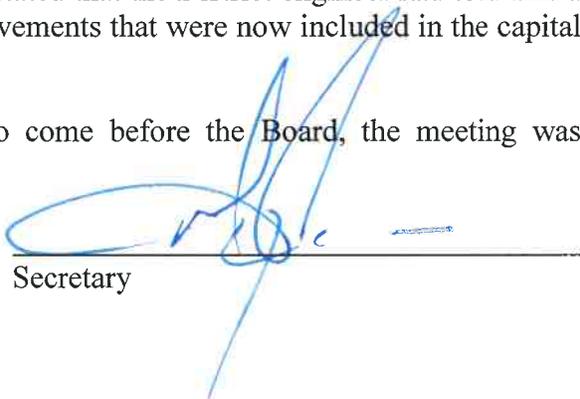
23. The Board discussed designation of an in-District meeting place at the Community Room at 16401 Country Club Drive. The Board noted that the District's previous place in the portable trailer at the surface water treatment plant was no longer suitable due to roof

leaks. Director Chasteen noted that the NPOA had offered to provide the room to the District at lower cost, but it was the Board's opinion that the District should pay the market rent cost of \$150 per meeting to the Country Club. Upon unanimous vote, the Board designated 16401 Country Club Drive as an in-District meeting place and approved payment of \$150 per meeting.

24. The attorney reported briefly on the status of the water supply and groundwater reduction agreement with Harris County MUD 525. The bookkeeper for that District contacted Newport's bookkeeper and asked for all outstanding invoices.

25. The chair called for public comments at the conclusion of the meeting. Don Cox stated that he would clarify his social media account on the issue of the Union letter of credit. He stated that it was his understanding that the District could draw on that, and he would correct this information. He stated that he wanted to clarify and correct any mistakes that he has made on his social media accounts. Mr. Cox also stated that the District engineer had told him a much lower number for some of the District improvements that were now included in the capital improvements plan.

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



Secretary