

NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

October 17, 2019

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16410 Country Club Drive, Crosby, Texas, on October 17, 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 Andrea Martin, Rich Harcrow, George House, David Patterson, Red Vandergriff, Delilah Arolfo, Debbie Shelton, Sherry Wells, Clint Sutton, Jeff Baughman, Don Cox, Jorge Diaz, Eileen Fashoro, Kelly Shipley, Bill Rosenbaum, Mike Nelson, Nino Corbett, Carlos Castrejon, Simon VanDyk, 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 asked for public comments. Don Cox asked what the District would pay for election costs. The attorney noted that all costs were not yet completely known because invoices were still coming in, but the District has already paid \$2,034 for translation costs, \$2,393 for reproduction costs, \$5,800 for publication costs, \$112 for deliveries, and \$6,727 to the County. These costs do not include any costs for public education and outreach. Red Vandergriff requested a tour of the District’s plants and facilities, and the Board noted that this could be arranged with the District operator.

2. The Board considered the minutes of the meetings of September 27, 2019 and October 3, 2019. Upon unanimous vote, the minutes were approved as presented.

3. The Board deferred consideration of approval of the October 16, 2019 minutes, as they were not yet available.

4. David Patterson presented a tax assessors/collector’s report, a copy of which is attached. The District’s 2018 taxes were 98.55% collected, and all prior years were over 99% collected. Two wire transfers were made and eleven checks were presented for the Board’s review and approval. 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 reviewed the invoices and checks in detail. The bookkeeper noted that the District has 8.7 months of operating reserves. 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. Carlos Castrejon reported on the efforts of Lennar. Building is going very well in Section 7, and Lennar has had 45 sales year-to-date. They are cutting streets in the next partial replat area and are hoping to have the section complete in mid-November. The median home price is \$220,000 to \$230,000.

Nino Corbett reported on the status of his development. David Weekley is having success in selling in Newport Court. They have four homes left to sell. Newport Court has had 24 sales year-to-date with an average take down price of \$255,000.

Nino Corbett reported on status of development in the Defined Area. Harris County Flood Control District has changed its criteria, but the developer does not anticipate having to change his land plan. TxDOT approval should be given within the next 30 days. Construction should begin within the next three to four months. Mr. Corbett anticipates 530 homes in Newport Pointe with a median price range of \$250,000. The developer did not have to change detention plans. Contract for work of FM 2100 has been let to Triple B, and the area should see construction work on that main artery beginning in February or March.

Eileen Fashoro stated that she had nothing to report on behalf of Rampart.

7. Simon VanDyk reported on public education and outreach effort. Articles regarding issuing bonds versus paying as you go have been placed on the District's website. The capital improvements plan has also been placed on the website. There were 36 people at the District's first open house and 59 at the second open house. Most people attended for over an hour. Mr. VanDyk asked if the Board wanted to develop a push card with early voting times and locations and the nearest election polling places, but the Board declined to authorize that work, noting that those times and locations had been well publicized.

8. The Board briefly discussed the status of the Section 9 detention pond. Kelly Shipley stated that she went by the site, and it has been raked. The developer is continuing to work on the deficiencies.

9. Mike Nelson reported on the status of garbage collections. Frontier is settling in, and there have not been major problems. Most of the negative feedback has been related to cans being left in the street, and the contractor is working to address that. Director Boykin complimented Frontier on their receptionist, noting that she has a very friendly and open phone manner.

10. The chair opened a public hearing on the proposed 2019 tax rate for the District and Defined Area No. 1. The tax assessor/collector confirmed publication of the proposed tax rates. No members of the public wished to comment on the proposed rate, and the chair closed the public meeting.

11. There was presented the attached Order Setting Tax Rate, Approving Tax Roll, and Levying Debt Service Tax and Maintenance and Operation Tax for the Year 2019 for the District, with such Order reflecting a levy of \$0.28 debt service tax and \$0.306 maintenance and operations tax. Upon unanimous vote, the Board approved the Order as presented.

12. There was presented the attached Order Setting Tax Rate, Approving Tax Roll, and Levying Maintenance and Operation Tax for the Year 2019 for Defined Area No. 1, with such Order reflecting the levy of a maintenance tax in the Defined Area only of \$0.664 per \$100 assessed valuation. Upon unanimous vote, the Order was adopted as presented.

13. There was presented the Amendment to Statement of Directors Furnishing Information Required by Section 49.455(b), Texas Water Code, as Amended. The attorney noted that the Amendment to Statement of Directors is updated anytime the District adopts a new tax rate and is filed in the real property records of Harris County. Potential purchasers of property are on notice that they are located in a water district and they are on notice as to the current tax rate of the District and other related District information. Upon unanimous vote, the Board approved the Amendment to Statement of Directors as presented and authorized its execution by all Board members present.

14. There was presented the Amendment to Statement of Directors Furnishing Information Required by Section 49.455(b), Texas Water Code, as Amended related to the Defined Area only. The attorney noted that the Amendment to Statement of Directors is updated anytime the District adopts a new tax rate and is filed in the real property records of Harris County. Potential purchasers of property in the Defined Area are on notice that they are located in the Defined Area and they are on notice as to the current tax rate of the Defined Area and other related Defined Area information. Upon unanimous vote, the Board approved the Amendment to Statement of Directors as presented and authorized its execution by all Board members present.

15. The Board reviewed the District operations report, a copy of which is attached. The operator requested approval for the Purifics pilot testing program and further requested authorization for the engineer to work with the operator to compile data and report back to the TCEQ on the findings. The pilot program could be put on the site as early as November and would cost approximately \$5,000 a month. However, if the program is successful, the District may be able to reduce costs associated with operations of the surface water treatment plant. Upon unanimous vote, the Board authorized conducting the Purifics pilot testing program.

At the wastewater treatment plant, the District experienced 19.7 inches of rainfall during the month, much of which was attributable to Tropical Storm Imelda. The District experienced a two hour peak flow violation during Imelda, and necessary reporting was made to the TCEQ.

Magna Flow pumped the Handspike lift station down due to the force main break that occurred during the tropical storm, and EFS is repairing the force main. The operator presented an inflow and infiltration chart for the month of September, and Board commended them on the usefulness of the report.

Rich Harcrow reported that backcharges were assessed to Lennar and Rochester for damages. The charge to Lennar was over \$12,000 due to major repairs made necessary because there was concrete inside a 22-foot deep manhole.

Andrea Martin reported that the fire hydrant survey was completed. Of the 399 hydrants in Newport, 12 were inoperable. Of that, six are now back in service and the remainder are on order. All inoperable fire hydrants have been properly marked. The operator plans to start the valve survey soon.

Andrea Martin presented the billing and collections report. Total current billings were \$345,259.15, while total current payments was \$366,904.19. The total current arrears as of today's meeting was \$34,176. Upon unanimous vote, the Board approved the operations report and billing and collections report as presented.

16. The Board reviewed the parks and recreational facilities report. The District has issued 854 key fobs. The District received a request from an individual to purchase park property through its website. The operator confirmed that the two lots in question were part of the District's trail system. The Board authorized the attorney to respond that the District was not interested in selling their property. Upon unanimous vote, the Board approved the parks and recreational facilities report as presented.

17. Bill Rosenbaum presented a District engineer's report, a copy of which is attached. The first action item was the Board's concurrence with the developer's payment of Pay Application No. 3 to Burnside in the amount of \$155,948.71 for water, sewer and drainage construction in Newport, Section 6 and 10. The engineer also presented final Pay Application No. 4 for the Board's concurrence with the developer's payment to contractor Texasite in amount of \$29,725.55 for water, sewer and drainage in Newport, Section 7 partial replat 1. The engineer next reported on the development of a sinkhole at the storm water pump station at the wastewater treatment plant. The District negotiated a limited duration contract with RL Utilities to make the necessary repairs. The engineer requested and received authorization from the TCEQ to complete the project on an emergency basis.

The engineer reported on emergency force main repairs that were necessary at Handspike Way near lift station No. 6. The force main separated. The engineer requested three bids on an emergency basis, and the low bidder was CDC Unlimited in the amount of \$98,332. The engineer will send correspondence to the TCEQ requesting emergency approval of this project as well. Upon unanimous vote, the Board approved the engineer's report, concurred with the developer's payment of the two pay applications, and approved emergency repairs to the sink hole and emergency repairs to the force main.

18. The Board tabled the consideration of the contract with Professional Utility Services, Inc. as the committee is still working on the contract.

19. There was no action to take on the contract with AVR, as the new contract has not yet been received.

20. Lori Aylett reported on her activities on the Board's behalf. The attorney has been working on bond election documentation. The District has received an inquiry from

Galperti regarding a Groundwater Reduction Agreement, but they have not yet determined the amount of water they need. The District insurance was not yet ready for the Board's approval and review and will be placed back on the next agenda.

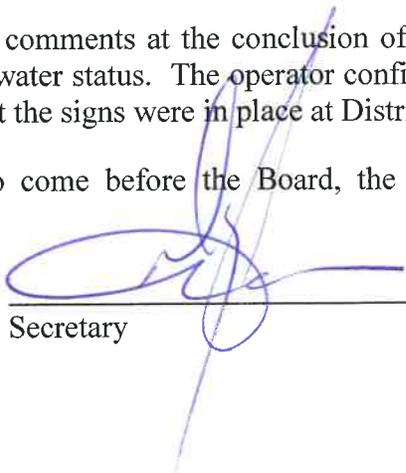
21. The attorney noted that the District will need to schedule a meeting to canvass election returns. After discussion, the Board agreed to have a special meeting on Monday, November 18, 2019 at 3:00 p.m.

22. The Board noted there was no need for an executive session.

23. Under pending business, the Board discussed subsidence district requirements. A portion of the District is in Area 2, and a portion of the District is in Subsidence District Area 3. The portion of the District in Area 2 must limit its groundwater production to 20%, while Area 3 can use 70% groundwater. However, in 2025 Area 3 will need to reduce groundwater to 40% of its overall usage. Therefore, the surface water treatment plant will definitely need to be expanded and ready for production by 2025.

24. The chair entertained public comments at the conclusion of the meeting. Don Cox asked if the District still had its superior water status. The operator confirmed that the District does still have superior water status and that the signs were in place at District entrances.

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



Secretary