

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
May 17, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on May 17, 2016, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Wayne Scott, President
Don Cox, Vice President
Robert Archer, Secretary
Dale Glazner, Assistant Secretary
Jim Hembree, Director

and the following absent:

None.

Also present were Delilah Arolfo, Margarette Chasteen, Gary Hasse, David Kasper, Brandon Smith, Rich Harcrow, Andrea Martin, Emmitt Kirby, Crystal Kirby, Jeff Baughman, Cullen Francis, and Lori Aylett.

The President called the meeting to order and declared it open for such business as might properly come before it.

1. The President of the Board executed Certificates of Election indicating that Gary Hasse and Margarette Chasteen were elected to serve four-year terms on the Board. The newly elected directors presented their Statements of Appointed/Elected Officer, Letters of Qualification and Oaths of Office. Upon unanimous vote, the Board accepted the Oaths of Office and included the directors under the Directors' Faithful Performance Bond. The directors participated in the remainder of the meeting.

Directors Hasse and Chasteen completed disclosure questionnaires indicating that they had no conflicts of interest to disclose to the Board of Directors. The two directors also completed questionnaires regarding public access to certain information about them and also received a memorandum about required Open Meetings Act and Public Information Act training.

2. The Board discussed election of officers. Director Cox proposed the following slate of officers:

Wayne Scott, President
Gary Hasse, Vice President
Don Cox, Secretary
Margarette Chasteen, Assistant Secretary

The Board members then discussed the proposed slate in some detail. Director Scott indicated that he has broken ground on a home in Coldspring and might not be able to serve a full term as President. Director Hasse noted that he was very new to the District and did not feel that he was ready to serve as President or Vice President. Director Chasteen stated that she would like to see Director Hembree serve as President for continuity during the transitional period. Director Hembree stated that he would be willing to serve as President. Director Cox stated that he had not been aware of Director Hembree's willingness to serve as President and withdrew his motion. There was more discussion and clarification regarding a proposed slate of officers. After a full discussion, Director Cox proposed the following slate of officers:

Jim Hembree, President
Wayne Scott, Vice President
Don Cox, Secretary
Margarette Chasteen, Assistant Secretary

Director Chasteen seconded Director Cox's motion, and the Chair called for a vote. All directors were in favor of the motion. Director Scott agreed to continue conducting the remainder of the meeting, and Director Hembree will assume the duties of President at the next Board meeting.

3. The Board discussed correspondence received from Aggressive Waste. Their office has presented correspondence to the District in care of its attorney requesting a rate increase. Ms. Kirby stated that Aggressive Waste is losing money on the contract, and her company was therefore proposing a substantial rate increase. Aggressive Waste began serving the District on July 1, 2011 and at that time charged a rate of \$11.50 per connection. When the contract was renewed in July of 2014, Aggressive Waste maintained that same rate of \$11.50 per connection. The contract term should go through June 30, 2017 with that same rate. The contractor is proposing a rate adjustment of \$16.50, which is a \$5 per connection increase. The attorney advised the Board that they were entitled to reject the required increase because the District is in the middle of the contract term. If the District rejects the increase, Aggressive Waste will have a right to terminate the contract within 90 days. The Board asked Ms. Kirby to explain the increase and she noted that there were many increases in costs. The Board noted that they were very satisfied with the services, but an increase of over 40% was going to make a substantial negative impact to the District's budget. The Board asked if Ms. Kirby was willing to withdraw the requested increase and submit a new requested increase with an effective date of July 1, 2016. Ms. Kirby stated that she was willing to do that and would submit a revised proposal. In the meantime, the Board asked if the attorney could solicit bids for services to see what the market rate for the services was. After discussion, upon unanimous vote, the Board agreed to table consideration of the requested rate increase from Aggressive Waste until the June business meeting and further authorized the attorney to solicit bids from competitors.

4. David Kasper reported on the engineering projects ongoing within the District. Mr. Kasper discussed development within the District and provided an update on Newport, Section 8, which is currently in the construction phase. On the Newport Villas project, development has been delayed until sales in the previous phase increase. On the partial replat in of Newport, Section 4, the property is currently being cleared and utilities are being installed. On

the Newport Court project, the detention pond has been excavated and the site is currently being rough graded.

Mr. Kasper then reported on developer inquiries and noted that his firm is continuing to correspond with the International Union of Operating Engineers regarding their large commercial/industrial development on a tract currently located in dormant Harris County MUD No. 19.

Mr. Kasper next discussed the 2016 bond application. The TCEQ declared the bond application administratively complete on March 28, 2016. The expedited review period will be up to 60 days.

Lastly, Mr. Kasper discussed annexations. The engineer prepared a draft boundary map showing the annexation of three tracts: 1) International Union of Operating Engineers (227 acres); 2) part of Newport Court / Nino Corbett development (1.5 acres); and 3) commercial tract on North Diamondhead / Nino Corbett development (2.4 acres).

Upon unanimous vote, the Board approved the engineer's report.

5. Delilah Arolfo next reported on operations of the water system in the District. Ground water permitted through February 28, 2017 was 175.200 million gallons, and remaining ground water as of May 9, 2016 was 165.987 million gallons. Total ground water produced was 6.980 million gallons, and total surface water produced was 28.525 million gallons. Billed water was 24.217 million gallons with an accountability of 84%.

Jeff Baughman reported on work completed at the surface water treatment plant, which included replacing a section of feed water piping for the polymer and a section of feed water piping for the carbon, performing assessment for the LAS tank setup, installing injection quill for LAS on RAW water pipe, setup of LAS feed on RAW water pipe for testing purposes, performing maintenance on high service pumps, repairing a heat sensor on a small portable generator, replacing a fan motor on chlorine vent fan, setting up office furniture in the new building, and ordering new 1,000 gallon LAS tank. Verizon performed an assessment for phones and internet in the new building. Pending work includes installation of flashing on the existing building to prevent leaks. The operator is currently obtaining quotes to have pump check valves on No. 2 and No. 3 replaced, and replacement of a vacuum breaker for sludge pumps.

Mr. Baughman then discussed the status of the water wells in the system. At Water Plant No. 1, the operator ordered a chlorine booster pump and is awaiting delivery and installation. A new flow meter was installed on the main header and the chlorine feed line around the driveway was rerouted and piping was replaced. The operator also ordered a new 535 gallon LAS tank. Pending work at Water Plant No. 1 includes replacing leaking check valves on booster pumps and replacing existing air relief and adding secondary air relief on header.

Cullen Francis reported on the status of the wastewater system in the District. Total flow for April amounted to 25.249 million gallons, with an average daily flow of 0.841 million gallons. There was 9.1" of rainfall for the month. There were no violations noted at the facility.

Mr. Francis next reported on work completed at the wastewater treatment plant, which included clearing and cleaning of a scrap pile and the blower room, and removal of trees from the back of the property near the fence and a tree that was blocking road access. Blower units were reset after passing storms and flood pump floats were adjusted and re-hung. The operator completed installation of a magnesium hydroxide tank and mixer setup, replaced chain and hooks around the top rail of the entire wastewater treatment plant, and emptied grease drums. The operator also repaired washout areas in the road.

Mr. Francis next discussed the operations of the District lift stations. At the Dunes Lift station, the operator repaired the hatch lift handle and reset Pump No. 2. At the Handspike Lift Station, the operator deragged Pump No. 1 and No. 2. At the Helmsman Lift Station, the operator deragged Pump No. 1 and No. 2, deragged Pump No. 1 and No. 2. At the Diamondhead South Lift Station, the operator performed a pump down with the trailered generator throughout the day while power was out due to a storm. At the South Diamondhead/FM 2100 Lift Station, deragged Pump No. 1 and No. 2, and sealed the wet well with mortar mix.

Rich Harcrow reported on the District work. There were eight water leaks and main line repairs, 10 sewer back-up and sewer line repairs, 5 miscellaneous call outs, and two back charges.

Upon unanimous vote, the Board approved the operator's report.

6. Mr. Smith then discussed the status of the District parks. The operator installed a 6-inch drain line on trails near Port O'Call and removed graffiti from a pavilion bench. The operator found a broken water line at a trail fountain meter, as well as a leak under the concrete slab for the backflow preventer. Both lines were repaired and put back into service.

Upon unanimous vote, the Board approved the parks and trails report as presented.

7. Director Hembree proposed changing the Board meeting dates. He proposed that the operation / engineering meeting be moved to the 2nd Thursday of each month at 10:00 a.m. and the business meeting be moved to the 4th Thursday of each month at 10:00 a.m. Upon unanimous vote, the Board agreed to changing the meeting dates as proposed effective June 9, 2016.

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

Ass't Margaret M. Chasteen
Secretary