

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
July 14, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on July 14, 2016, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Jim Hembree, President
Wayne T. Scott, Vice President
Don Cox, Secretary
Margarette Chasteen, Assistant Secretary
R. Gary Hasse, Director

and the following absent:

None.

Also present were Delilah Arolfo, David Kasper, Brandon Smith, Andrea Martin, Jeff Baughman, Cullen Francis, and Rich Harcrow.

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

1. David Kasper reported on the private residential development projects ongoing within the District. Newport, Section 8, which is currently in the construction phase, is substantially complete. Mr. Kasper presented a change order for dry seeding of the detention pond in Section 8 and recommended approval. The Board concurred. In Newport, Section 12 (formerly Newport Villas II), development was temporarily delayed until sales in the previous phase increase. Construction is expected to begin in the very near future. The latest plans received reflect that the number of lots has been reduced from 68 lots to 48 lots. Mr. Kasper requested Board authorization to prepare a capacity letter for the proposed subdivision plat. Upon unanimous vote, the Board authorized preparation of the capacity letter for the replat of Newport, Section 12. On the partial replat of Newport, Section 4, the property is substantially complete. On the Newport Court project, the project is in the construction phase, and the site has been completely cleared. The water and sewer mains are substantially in place, and the contractor is working on the site storm sewers. Paving activities should begin soon.

David Kasper then reported on the commercial development projects ongoing within the District. Mr. Kasper 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 and reported that the financial advisor is currently taking steps to arrange for the bond issue.

Mr. Kasper next 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).

Finally, Mr. Kasper reported that his office is updating the cost figures for water production and wastewater treatment, as well as development projections.

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

2. Brandon Smith 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 June 12, 2016 was 154.548 million gallons. Total ground water produced was 8.437 million gallons, and total surface water produced was 38.520 million gallons. Billed water was 26.154 million gallons with an accountability of 84%.

Jeff Baughman reported on work completed at the surface water treatment plant, which included moving an injection point of PO4 to Disinfection Zone No. 1 and removing trees from the SJRA canal. Pending work includes installation of flashing on the existing building to prevent leaks, replacement of terminals on High Service Booster Pump No. 3, installation of a new Hydro Ranger at D2 building, and installation of an air relief/vacuum breaker on the sludge piping header.

Mr. Baughman then discussed the status of the water wells in the system. At Water Plant No. 1, pending work includes installation of an air relief/vacuum breaker on the main header, installation of LAS tank and injection quill, repair/replacement of the well pump, and replacement of leaking check valve on booster pumps.

Cullen Francis reported on the status of the wastewater system in the District. Total flow for the month amounted to 31.136 million gallons, with an average daily flow of 1.004 million gallons. There was 11.05" 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 repairing the airline for Clarifier No. 1 scum trough, removing rags from RAS channel and influent channel, removing vegetation growing between the aeration basins, replacing the gate roller at the main wastewater treatment plant entrance, pumping out Aeration Basin No. 4, greasing the bearing on the grit snail unit, installing a new thermostat in the main building, and replacing the electric panel air conditioning blower on the grit snail.

Mr. Francis next discussed the operations of the District lift stations. At the Handspike Lift Station, the operator deragged Pump No. 1 and No. 2, installed a new sump pump, installed new rubber gaskets on flanges, and replaced the auto dialer transformer and batteries. At the Via Dora Lift Station, NTS pulled and deragged the pumps. At the Flying Bridge Lift Station, the operator installed a new alarm beacon light and contacted CenterPoint to come out and trim vine. At the Helmsman Lift Station, the operator deragged Pump No. 1 and No. 2. At the Diamondhead South Lift Station, the operator contacted CenterPoint to cut back trees near the electric drop. At the South Diamondhead/FM 2100 Lift Station, deragged Pump No. 1 and No. 2. At the Seven Oaks Lift Station, the operator installed a new lightbulb for the visual alarm.

Rich Harcrow reported on the District work. There were 10 water leaks and main line repairs, six 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.

3. Brandon Smith discussed the San Jacinto River Authority's raw water issue. On June 18, 2016, the SJRA sprayed herbicide along the canal. The operator was not notified prior to SJRA spraying the herbicide. The herbicide began to kill off the vegetation and caused major changes in the raw water quality. Due to the fact that the vegetation was dying and being pulled through the intake, the processing of water became very difficult as the organics being measured were over five times the average amount. This caused major color and turbidity issues throughout the plant. The managers worked a total of 20 hours each after normal operating hours and were on call 24/7 in order to get the plant turned over and back to above standards of drinking water required by the TCEQ. The spraying of the herbicide from the SJRA took place during one of the hottest days at the hottest time. This herbicide is not recommended to be used in excessive heat. The lack of communication also put the plant at risk because the changing of the raw water took place so quickly without notice. The estimated water loss through processing came in around 2 million gallons. Additional sludge wasting occurred as well in order to keep the clarifiers in good operating condition, which then caused the operator to schedule additional sludge hauling. The additional sludge hauling will cost approximately \$8,000. The filters also absorbed a large quantity of organics causing discoloration of the water, as well as causing constant monitoring and test to be performed in order to stay within compliance. This incident also resulted in approximately 9 million gallons of District flushing of treated water and excessive man hours taking away from normal operating duties. There were also excessive call outs for dirty water during and after business hours. At no point did lab results indicate that the District was out of parameters set forth by state and federal drinking water standards. The operator requested that a meeting be arranged with management of the SJRA Canal Maintenance & Pumping Station to address all issues that impact Newport's SWTP Drinking Water Process. After discussion, the Board authorized the operator to schedule a meeting with the SJRA to discuss the issue further.

4. Mr. Smith then discussed the status of the District parks. At the Port O'Call Park, the operator installed motion sensor lights under the pavilion, installed a mid-rail at the gap under the wrought iron fence on the east side of the splash pad, and repaired the splash pad button seal to keep out moisture. McCann Security needs to repair the strike plate on the restroom door. At the Flying Bridge Park, dirt mix was delivered and spread in low areas. Pending work at Flying Bridge Park includes removal of a large tree that is dropping limbs.

The operator presented the Board with a party request for July 30, 2016 at Port O'Call Park, and the Board approved the request.

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

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


Secretary