

## NEWPORT MUNICIPAL UTILITY DISTRICT

### Minutes of Meeting of Board of Directors

August 24, 2017

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on August 24, 2017, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

R. Gary Hasse, President  
Don Cox, Vice President  
Margarette Chasteen, Secretary  
Jim Hembree, Director

and the following absent:

David P. Guidry, Assistant Secretary.

Also present were Allyson Baker, Delilah Arolfo, Rich Harcrow, Andrea Martin, David Kasper, Carlos Castrejon, Robert Santini, Nino Corbett, Eileen Fashoro, Tommy Lee, Crystal Kirby, Emmitt Kirby, Jennifer Tantum, Larn Randell, and Lori G. Aylett, 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. Minutes of the meetings held July 25, 2017, July 27, 2017, and August 17, 2017 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

2. Tommy Lee presented the tax assessor/collector's report, a copy of which is attached. 2016 taxes were 98.02% collected, while all prior years were over 99%. Five checks were presented for the Board's review and approval, and one check was voided due to misprint. The District has received 2017 values from the Harris County Appraisal District, and the District's certified value is about \$530 million, up about 10% from last year's certified value. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented and authorized payment of bills with the checks drawn on the tax fund.

3. Allyson Baker presented a bookkeeper's report, a copy of which is attached. She was pleased to report that the District has about nine and one-half months of reserves in the operating fund. Director Hembree pointed out that his projections for the year end shows a <\$200,000>, so the District must continue to take care in managing its general fund proceeds. Ms. Baker reviewed the list of checks and bills with the Board in some detail. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed thereon.

4. There were no customer service inquiries for the Board's consideration.

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5. The Chair entertained reports from the various developers. Carlos Castrejon stated that there have been two sales of 45-foot lots and two sales in Section 8. Year to date, Lennar has had 47 sales in the Villas, Section 8 and Section 12 combined. There are now 22 residents in Section 8, and Lennar is trying to complete utilities to provide more lots. Robert Santini addressed the Board and reported that Lennar is planning to develop a pocket park and would the Board's agreement to maintain the park. Lennar is not asking for any reimbursement for construction costs for the park area, which is about two acres. Most of it will be kept in a natural state and it is intended as a pocket park with no parking. It is adjacent to the planned detention pond. The Board stated that they would put an item on the next agenda for consideration. The Board asked the developer to look at the possibility of planning for some parking.

The Board then discussed the status of the International Union of Operating Engineers' project with Jennifer Tantum. She stated that the central plant was up and running, and the lift station is operating on generator power. They are still working with CenterPoint and are trying to be complete with the site by March of next year. Everyone will be invited to the grand opening. Ms. Tantum worked with the District operator to resolve issues regarding the water discharge from their cooling tower.

Nino Corbett then address the Board regarding his development. He thanked the Board for working with him to resolve the detention pond issues. He is selling two more lots today and is already ahead of his building projections.

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

6. The Board discussed operations and engineering matters. David Kasper presented Change Order No. 3 for the Villas and Change Order No. 4 for the Villas. Change Order No. 3 adds about \$46,000 to the contract amount, but none of it is reimbursable by the District. The engineer recommended approval of Change Order No. 3, and the Board concurred. Change Order No. 4 adds \$26,440 to the contract and relates to the addition of some storm sewers. The changes were required by Harris County, and the engineer recommended that the Board approve the change order as presented. The Board concurred with the engineer's recommendation. The engineer presented Change Order No. 1 to Section 8 for the partial replat. This change order relates to the extension of the detention pond and will add \$11,727.46 to the contract. The change order adds slope stabilization with sod, hydro mulching, and extra quantities. The engineer recommended approval of the change order as presented, and the Board concurred. Finally, the engineer presented the Section 8, Replat, Water, Sewer and Drainage contract for the Board's execution. The Board previously approved the bid and award of the contract to the low bidder. The Board authorized the President to execute a contract as presented.

The engineer reported that he had advertised for the purchase of the new generator and had coordinated with the operator on the specifications. The engineer will review the possibility of using natural gas and the costs associated therewith.

The operator discussed preparation for the hurricane that is currently in the gulf. All vehicles have been filled with fuel, and meters have been read in preparation. The flood pumps and gate at the wastewater treatment plant have been operated and exercised to make sure

that they are functional, and all fuel tanks have been filled. The bathrooms to the parks and splash pad will be locked at 4:00 p.m. tomorrow.

7. There was presented the attached Order Authorizing Filing Application for Approval of Texas Commission on Environmental Quality of District's Engineering Project and Issuance of Bonds in an amount not to exceed \$2,625,000. Upon unanimous vote, the Board approved the Order Authorizing Filing Application for Approval of Texas Commission on Environmental Quality of District's Engineering Project and Issuance of Bonds in an amount not to exceed \$2,625,000 as presented.

8. Lori Aylett presented an attorney's report. The District won its forcible entry and detainer suit against the Veach family and received \$2,500 in attorney's fees. The judgment will be abstracted in any county where the Veachs are believed to own property, and after the expiration of the appeal, the attorneys will seek a Writ of Possession which can then be enforced by the sheriff's office.

The attorney noted that her firm had sent correspondence to Upstream Environmental, and they had completed their mow of certain ditch areas. The attorney recommended release of the check to Upstream Environmental and release of the company from any further obligation to the District, and the Board concurred. Director Hasse noted that the District should verify before accepting maintenance that all ditches and drainage channels are able to be mowed, so that the District does not end up with costly maintenance handwork. The Board noted that there was a Reserve F in the Newport Court development, and the reserve was a long thin panhandle that remains the responsibility of Newport Court. Nino Corbett stated that the HOA will take care of the mowing and maintenance of Reserve F.

Finally, the attorney presented a memorandum of all reimbursement agreements between various developers and the District as of August 18, 2017. She noted that there had been some discussion about whether to amend the reimbursement agreements or add new or different terms in new reimbursement agreements with developers. The engineer stated that paying developer interest opens up some avenue for disagreement between the developer's engineer and the District's engineer. In addition, it was Mr. Kasper's opinion that some of the engineering fees for the developments have been excessive or problematic. Finally, Mr. Kasper noted that when the District estimated the required amount of bonds before going to the voters with the bond election authorization, clearing and grubbing costs and developer interest were not included in the estimate of costs. There was discussion among the Board members about whether the District should change the method of calculation of reimbursement with existing developers, whose projects are already in progress. In addition, the attorney disagreed respectfully with Mr. Kasper on the subject of developer interest, noting that it was a developer industry standard to pay developer interest. The attorney noted that the District had additional protections in the form of its tax rate tests to ensure that taxpayers were not harmed by the Board's decisions regarding reimbursement. Nino Corbett addressed the Board and stated that he had been assuming that he would be paid under the same reimbursement terms as previous agreements. There was further general discussion regarding the clearing and grubbing costs, stormwater pollution prevention plans, developer interest and related items. The Board agreed this topic would be suitable for a special workshop meeting at a future date.

9. The Board reviewed the terms of the garbage contract with Aggressive Waste. Crystal Kirby and Emmitt Kirby addressed the Board regarding recent developments with their company. Their employees have been having trouble with the extreme heat, and the contractor was using a different landfill that was further away to save costs. In addition, the contractor is purchasing two new trucks, which have not arrived. In the meantime, truck breakdowns have been a problem and have resulted in missed pickups. One new truck will arrive next week and the other truck will arrive in the next three weeks. Mr. and Mrs. Kirby stated that they still have an issue with the amounts being paid under the contract. They requested that the Board consider increasing the monthly contract by \$1 to \$12.50 per active connection. They reminded the Board that they have not had an increase since 2011. Director Chasteen noted that there have been a lot of residents angry with Board members regarding the missed pickups. Complaints have been ongoing for three months and need to be resolved by the contractor. The contractor confirmed that they could go back to using the closer landfill if the contract increase was approved. In addition, the Board asked if the contractor was amenable to changing the days of service to Tuesday and Friday, and the contractor stated that they were. The contractor would like to see their rate change effective September 1, 2017, but the Board members noted that residents should be given additional time to adapt to a service day change and that change should be effective October 1, 2017. Upon unanimous vote, the Board approved a contract amendment to increase the monthly fee to \$12.50 per connection, subject to the contractor's receipt of two new trucks to serve in the contract, with the rate change to be effective September 1, 2017 and the service day change to be effective October 1, 2017.

10. The Board discussed a contact for detention pond maintenance. Delilah Arolfo stated that she is confused about the scope of work for the Newport Court detention pond, as well as other detention ponds. As operators, they are responsible for periodic inspections of the detention ponds and coordination with the mowing and maintenance contractor. Ms. Arolfo noted that if the District continued with Upstream Environmental, the operator would likely have to quarrel with them all of the time regarding scope of the work and the quality of the work. The Board noted that they had previously authorized the operator to act on the District's behalf to terminate the services of Upstream Environmental. The operator requested that the engineer prepare a scope of work for all detention pond maintenance and permitting matters and solicit bids from contractors. Upon unanimous vote, the Board authorized the engineer to prepare the scope of work and solicit for bids.

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

  
Secretary