

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Special Meeting of Board of Directors
September 15, 2017

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on September 15, 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
David P. Guidry, Assistant Secretary
Jim Hembree, Director

and the following absent:

None.

Also present were Delilah Arolfo, David Kasper, Andrea Martin, Rich Harcrow, Cullen Francis, Josh McKethan, Clint Sutton, Carlos Castrejon, 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. The Board reviewed the status of District operations after Hurricane Harvey. Delilah Arolfo stated that this was a catastrophic event for the District, much worse than the 1994 San Jacinto River flood. From the start of the storm on August 25, 2017, the operations staff worked 2,308 hours with a total of 17 employees of Professional Utility Services on staff in Newport. The District had rainfall totaling 51.8 inches. On September 5, 2017, an insurance adjuster met with the operator, engineer, and Board President Gary Hasse to tour the surface water treatment plant, the water plant, the wastewater treatment plant, and lift stations. The adjuster stayed all day on the day of September 5, 2017 and returned on September 6, 2017 to tour the detention ponds, storm ceptors, trails, and parks. On September 12, 2017, the operator met with three adjusters to inspect all mechanical and electrical damages at the surface water treatment plant and the wastewater treatment plant. The District will be pursuing insurance claims, as well as reimbursement from FEMA.

Josh McKethan discussed the surface water treatment plant. The Clarifier No. 2 mixer motor experienced a mechanical failure, and there are many repairs pending. The surface water treatment plant is currently offline because the operator has not been able to verify that the water quality influent being received from the San Jacinto River Authority is acceptable for treatment. The meeting trailer suffered water damage due to a roof leak and repairs are pending. At Water Plant No. 1, Booster Pump No. 4 caught fire and burned up. EFS is repairing. At Water Plant No. 2, there were no damages.

At the wastewater treatment plant, the operator anticipates that it will take until October 1, 2017 to have full power restored. The District is currently at 30% power usage. On

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August 27, 2017 at 2:15 a.m., the operator shut the flood gates and turned on the flood pumps. By 5:00 a.m., sewage overflowed throughout the facility, and the office was holding four inches of sewer backup. The cleanup crew was onsite from 7:30 a.m. to 6:30 p.m. The operator was forced to remove the portable pumps and heavy equipment due to continuous rainfall. By 7:00 a.m. on August 28, 2017, the San Jacinto River was surrounding the wastewater treatment plant and covering the access road with water. The wastewater treatment plant site had about four feet of influent water and rain water. By 7:30 a.m. on August 29, 2017, the operator could not travel to the wastewater treatment plant because four feet of river water was across the access road to the treatment plant, the storage units, and the stables. On August 29, 2017, an operator had to use a jet ski to check the physical condition of the wastewater treatment plant, and a complete loss of the plant was confirmed at 11:30 a.m. On August 31, 2017, the operations crew were able to access the plant site and mobilize pumps to remove water from inside the wastewater treatment plant. A six-inch pump was acquired from Channelview WCID No. 21 and another six-inch pump was acquired from Lopez Utility. Both of those pumps were obtained with assistance from David Kasper and ARKK Engineering. The District had one six-inch pump which was put online. Another six-inch and a 12-inch pump were delivered by EFS on September 1, 2017, and all pumps were monitored 24 hours a day and refueled as necessary. While the water was pumped out of the plant site, the operator placed disinfectant at the pump site on a continual basis. By September 3, 2017 at 4:00 p.m., the operator was able to access and open the flood gates and drain the remainder of the water from the wastewater treatment plant site into Gum Gully. The operator notified the Texas Commission on Environmental Quality of the status of the wastewater treatment plant and reported all permit excursions. On September 5, 2017, the operator scheduled Magna Flow to begin cleanup of the wastewater treatment plant site and engaged EFS to address electrical and mechanical restoration. The work is ongoing, and as of today, one blower has been restored to operation.

At the various lift stations, the operator responded to continuous high wet well alarms, and the wet wells were submerged at most locations. At Handspike Way, the lift pumps were not operable due to power loss. The operator hooked up mobile generators to pump down and avoid a bypass or stoppage until EFS could repair the problem. At Via Dora, the elapsed time meter stopped working, and concrete had to be removed from both pumps. A sinkhole formed next to the manhole and it was repaired by the operator.

At the parks and trails, South Diamondhead Park at Flying Bridge Park received major flooding. Additional mulch will be needed. On the trails, the operator removed three trees and performed extensive cleanup due to flooding. The Seven Oaks detention pond became one with Gum Gully during the flooding. It will take about five loads of limestone to get the sewage treatment plant access road back into shape.

Delilah Arolfo gave her professional opinion that if the detention ponds not been installed and fully functional, flooding of homes in Newport would have been much worse. As it is, the operator estimated that only about 25 homes in the District flooded.

The operator asked for Board authorization to request that the bookkeeper set up a special tracking account for the Hurricane Harvey revenues and expenses. The Board concurred and authorized the operator to contact the bookkeeper to set up the necessary reporting system.

There was discussion regarding how much rain fell at the treatment plant site. According to automated rain gauges in the area, there was less rain than the operator reported. The operator reported that they manually checked the rain gauges and dumped them and could confirm that the rainfall total of 51.8 inches was accurate.

The Board discussed the building at the sewage treatment plant. The operator noted that the building is demolished beyond repair, and the operators have no place to work, perform their lab operations, and do paperwork. The operator rented a portable trailer for six months from Precision Structures, Inc. The total cost is \$4,407, including delivery setup and a six months lease. 220 single phase power will be required at the site, and the operator requested and received Board authorization to contact EFS to set up the necessary electrical work. She estimated that the cost will be less than \$10,000. The operator executed the lease in her name, and the Board authorized placement of the trailer on the District's sewage treatment plant property.

The operator reported that Newport MUD kept continuous water pressure and no sewage went into the streets or overflowed. The operator has already provided preliminary invoices to Director Guidry, who has confirmed mathematical accuracy of those invoices presented. The District will be charged for hazard rates between August 25, 2017 and September 3, 2017.

The Board discussed how to move forward from this incident and make improvements to the plant site. David Kasper suggested that the Board review the costs associated with raising the berm, upgrading flood pumps, and related mitigation items. The Board authorized the engineer and operator to work together to form a plan for flood mitigation in association with the next expansion. The operator noted that FEMA did make the District whole after Hurricane Ike, but FEMA claims are a lengthy process. David Kasper noted that the District has 100 year flood protection at the site, but the first priority will be to improve the flood pump station.

2. Lori Aylett reported on the status of legal activities related to the hurricane. With the assistance of the operator and engineer, she directed correspondence to the Texas Commission on Environmental Quality, and the District has already received approval to negotiate contracts without the necessity of advertisement for bids to make the necessary repairs. The attorney has also been in discussion with the District's financial advisor. Bondholders may be interested in whether flooding occurred in the District, and the subject of whether to file a voluntary event filing was discussed in some detail. Finally, the attorney will be filing a claim with FEMA for reimbursement.

3. Under pending business, Director Hembree asked for a list of the groundwater reduction contracts and noted that he would work with Amy Mahanay from the law firm because some of the accounts were delinquent in their payment.

Director Hasse reported that he met with Jim Carpenter of Rampart and Michael Cox of Johnson Development. Johnson Development is a fee-based developer who is going to be responsible for the development of neighboring Harris County MUD No. 525. The developer is interested in discussing whether the District has sewage treatment plant capacity to serve MUD

525. The attorney thanked Director Hasse for presenting the information to the Board's attention. The Board will await a formal request for capacity, which should come from the MUD 525 developer to that board, and in turn from that board to the District.

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


Secretary