

NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

September 28, 2017

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on September 28, 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

and the following director absent:

Jim Hembree, Director.

Also present were Debbie Shelton, Crystal Kirby, Robert Santini, Allyson Baker, Cullen Francis, Delilah Arolfo, Rich Harcrow, Emmitt Kirby, Delia Yanez, David Kasper, Nino Corbett, Carlos Castrejon, Laurn 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. The Chair deviated from the normal order of the agenda to discuss the District's garbage collection contract with Aggressive Waste. Crystal Kirby addressed the Board and stated that her company did get the two additional trucks to use on the routes, and service interruptions should be eliminated or greatly diminished. However, her company cannot change to a Tuesday / Friday collection, and it would work better if the District continued to stay with the Wednesday / Saturday collection. The company might be able to do Monday / Thursday collection, but this could result in service issues. Director Cox expressed his continuing disapproval of using a Saturday collection day and stated that his vote to give an increase to the contractor was conditioned upon obtaining the new trucks and changing the service day. The contractor stated that she would have to negotiate with some of her other clients to see if they would be willing to change service days to free up personnel so that the District's service days could be changed. She asked for an additional 30 days to perform further investigations. Upon motion made by Director Guidry, seconded by Director Chasteen, the Board voted unanimously to rescind its approval of its August 24, 2017 contract extension, due to the contractor's inability to change days; voted to extend the contract for an additional month; voted to honor the requested increase of \$12.50 per connection effective September 1, 2017; and voted to give the contractor 30 additional days to work on modification to the service days.

2. Minutes of the meetings held August 15, 2017, August 21, 2017, and September 15, 2017 were presented for the Board's review and approval. Upon unanimous vote, the Board approved the minutes as presented.

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3. Delia Yanez presented the tax assessor/collector's report, a copy of which is attached. 2016 taxes were 98.17% collected, while all prior years were over 99%. Seven checks were presented for the Board's review and approval. 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.

4. The Board discussed the 2017 tax rate. Debbie Shelton reminded the Board that it was a two step process. First, the District decides on a proposed tax rate and publishes a notice. At the next meeting, the District holds a public hearing and sets the rate. The District's 2017 assessed value is \$538,466,384. The financial advisor recommended lowering the debt service rate from \$0.30 to \$0.29. This recommendation takes into account the issuance of \$2,380,000 in bonds in 2018. Ms. Shelton then discussed the District's maintenance and operations tax needs. In 2016, the District levied a maintenance tax rate of \$0.329, which generated \$1,587,577. The District can generate the same amount of revenues for maintenance by levying a \$0.303 maintenance tax rate. If the District wants to generate additional maintenance tax revenues by levying the same overall rate, the District could receive maintenance tax revenues of \$1,788,893. Director Guidry stated that he had reviewed the budget numbers with Director Hembree, who was not able to attend today's meeting. Director Hembree is recommending a \$0.30 maintenance tax to meet the District's 2018 budget needs. The Board discussed the budget needs of the District and the desire to give tax rate relief to District residents whenever possible. Lori Aylett addressed the Board regarding whether there would be a need for a tax rate to be set in the defined area. Nino Corbett confirmed that there will not be any houses on the ground in 2018 in the defined area, and so no defined area tax rate should be set for the coming year. After a full discussion, upon motion made by Director Guidry, seconded by Director Cox, the Board voted with a vote of three to one, with Director Chasteen opposing, to authorize publication of a proposed \$0.29 debt service rate and a \$0.30 maintenance tax rate. Director Chasteen stated that she disagreed with the Board's decision because she would like to see the District take in more maintenance tax revenues to use for the ongoing repairs of the District's aging infrastructure.

5. Allyson Baker presented a bookkeeper's report, a copy of which is attached. The District has 7.28 months of reserve in the general fund. Director Guidry asked why the administrative costs were increased from last month to this month. The bookkeeper and operator will investigate and provide an answer. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed thereon.

6. The Chair entertained reports from the various developers. Carlos Castrejon presented a developer's report on behalf of Lennar. They have completed Section 8, Partial Replat No. 4, and the substantial completion walk-through was yesterday. They need to get the dry utilities to the section. Partial Replat No. 3 water, sewer and drainage construction is underway. The paving contract has been awarded. Lennar has had three sales after Hurricane Harvey. They surveyed all of the high water marks during Harvey and will build 18 inches above the high water mark line. Rich Harcrow noted that the Via Dora Lift Station road will need to be repaired and made the developer aware of this as it is in their section.

Nino Corbett then addressed the Board regarding his development. Newport Court fared well during the floods. Two more homes have been sold during the month. The

developer met with TxDOT on Monday, and he continues to work with them on condemnation matters on FM 2100. The developer needs to negotiate access with them, and they agreed to provide some utility designs so that the developer can better understand the costs. Mr. Corbett is adding costs to the homeowners association budget so that they can be responsible for mowing south of the swale that was dedicated to the District. The developer is ready to begin work on the new reimbursement agreement for the defined area.

7. Robert Santini asked that the Board defer further consideration of the pocket park in their development.

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

9. The Board discussed operations and engineering matters. David Kasper reported that Shelly Young will begin work to renew the District's waste discharge permit. Discussion then turned to the generator bids and whether the District should consider diesel or gas generators. The District would achieve a \$1,900 savings by using a gas generator when exercising the generator. If a hurricane caused a power outage for up to two weeks, the District would achieve a \$6,000 savings by using natural gas. In addition, it is easier to keep a constant fuel supply with natural gas. For a 500 kilowatt gas generator, pressure tests will need to be performed on the line. The cost for the generator is about \$85,000 more than using a diesel generator. The Board tabled award of the contract for generator installation until the pressure testing could be completed to see if gas is a viable alternative. The engineer updated maps of all District facilities to be mowed. The engineer is currently seeking input from all consultants on flood-proofing the sewage treatment plant. The high water mark was surveyed at the plant. The berm is about three feet above the 100-foot flood plain, but the flooding event was about 4.39 feet above the 100-foot flood plain line.

The Board then discussed operations. The operator reported that they have two blowers back online and are rebuilding other components of the plant. The plant is about 85% operational, and the operator continues to make rapid progress. The operator received a call from Stonebridge because their meter is not operational, and the operator will investigate.

Upon unanimous vote, the Board approved the operations and engineering report as presented.

10. Lori Aylett presented an attorney's report. The Sheriff's Office will be onsite at the District's property adjacent to the Veach property at 8:00 a.m. on October 9, 2017. The litigation attorney's strategy is to attempt to get a right-of-entry from the Veach family so that the property that is on the District's side of the boundary line can simply be moved onto the Veach property. A walk-through is scheduled for October 17, 2017 with Directors Guidry and Cox.

11. The Board discussed a Water Supply and Groundwater Reduction Agreement with Harris County Municipal Utility District No. 525. The attorney reviewed the agreement with the Board in some detail and noted changes from the draft presented by MUD 525. The Board reviewed the revenue projections and noted that they should have a certain date of January 1 to receive each \$250,000 capital payment. After a full discussion, upon motion

made by Director Guidry, seconded by Director Chasteen, the Board voted with a vote of three to one, with Director Cox opposing, to approve the agreement as presented.

12. The Board discussed the status of various preconstruction contracts with developers. Lennar has requested a new reimbursement agreement for Section 7. Robert Santini addressed the Board and provided a projected house count. He stated that the development would be much like Section 8, and would be re-platted. Lots would be 75 feet to 80 feet. This development will be a step up from Section 12, and there will be 110 lots in Phase 1. Director Cox disclosed that he owned one lot in Section 7. The attorney noted that the Board had previously indicated that they wanted to reconsider developer reimbursement policies for all future reimbursement contracts. The Board noted that it would be appropriate to conduct a special meeting to discuss the matter when the engineer, financial advisor, and attorney can be available.

13. The Board discussed a contract for detention pond maintenance. Upon unanimous vote, the Board authorized the attorney to send a notice of termination to Upstream Environmental. The engineer provided the map showing the scope of services to be provided by a mowing contractor. Upon unanimous vote, the Board authorized the operator to solicit bids for the mowing of the detention pond and detention pond maintenance.

14. The Board briefly discussed consultant contract reviews. None of the consultants requested revisions to their contract at this time.

15. The Board reviewed a PowerPoint presentation and photographs on the status of the District after Hurricane Harvey. The Board commended the operator on their hard work in restoring the sewer plant to operations.

16. The attorney confirmed that her firm had filed a request for public assistance, a designation of sub-recipient/agent, and a direct deposit authorization with FEMA. Richard Morrison of her law firm was a former Fort Bend County Commissioner and is very familiar with FEMA regulations and will be assisting all of the firm's clients with prosecuting claims with FEMA. Delilah Arolfo will also be a secondary agent to act on the District's behalf.

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


Secretary