

NEWPORT MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

October 3, 2024

The Board of Directors (“Board”) of Newport Municipal Utility District (“District”) met at 16401 Country Club Drive, Crosby, Texas, on October 3, 2024, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Margarette Chasteen, President
DeLonne L. Johnson, Vice President
Deborah Florus, Secretary
Earl B. Boykin, Assistant Secretary
R. Gary Hasse, Director

and the following director absent:

None.

Also present were Andrea Martin, Rich Harcrow, Jeff Baughman, Justin Waggoner, Ben Shahbazi, Bobby Skinner, Don Cox, Thersa Summers, Juan Alexander, Chris Wilson, Angel Ruvalcaba, Kelly Shipley, and Lori G. Aylett.

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

1. The Chair called for public comment. No public comment was presented.

2. Lori Aylett gave an attorney’s report. She contacted a representative of AT&T on the District’s behalf to express the District’s interest in co-location of an antenna at the District’s elevated storage tank. The attorney also assisted the District engineer with the Shahbazi and Them Sum feasibility report. The attorney is working to make the necessary election postings. The attorney also assisted the operator with submission of Jennifer Williams’ claims regarding a 2022 sewer backup and reviewed the tax rate notices with the tax assessor-collector.

Lori Aylett requested authorization from the Board to increase hourly rates for her and other employees of her firm, effective January 1, 2025. The new rates would be \$400 per hour for a partner, \$360 an hour for an associate, and \$160 for a legal assistant. Based upon the time spent in fiscal year 2023, the anticipated impact on the District’s budget would be an additional \$25,000. Upon unanimous vote, the Board approved the budget increase requested by the attorney.

3. The Board reviewed operations and billing reports. Rich Harcrow presented an erosion repair proposal from Richards Trucking in the amount of \$4,000 to repair erosion on the detention pond in Newport Section 7. Upon unanimous vote, the Board approved the proposal as presented.

4. The Board considered an electronic lockbox agreement with Central Bank and First Billing Services for payment processing and deposits. Upon unanimous vote, the Board approved the agreement as presented.

5. There was no parks and recreational facilities report.

6. Bobby Skinner provided a brief development report on Taylor Morrison's activities. They are moving dirt.

7. The Board considered a Joint Election Agreement and Election Services Contract with Harris County. Upon unanimous vote, the Board approved the agreement as presented.

8. The Board conducted a workshop on the operator's contract. Andrea Martin presented the proposed contract and a memorandum regarding changes from the existing contract. Si reduced their base fee by utilizing shared services. They also removed a four-hour minimum charge for overtime work orders and all references to hazard pay. Other items that had been billed by work order will now be billed a flat rate such as delinquent letters, door tags, disconnects, reconnects, meter removals, meter reinstalls, transfer fee and return checks. Water taps will be billed at a flat rate up to a one-inch meter. District manager base fees were removed from the contract.

The Board questioned whether work order automation would be achieved. Andrea Martin noted that automated work orders are not yet possible. The operator must first switch to the new AVR upgrade and complete the billing system change before the work orders can be processed automatically.

Discussion turned to the 15% administrative fee on laboratory testing and materials purchases. Juan Alexander addressed the Board and stated that it was not Si's intent to change Newport's well-established procedure for paying invoices directly. The 15% charge would only be incurred if a repair had to be expedited and the operator had advanced funds on the District's behalf, or if the Board was unable to meet and the operator paid bills on the District's behalf. The fee is only intended to cover the operator's costs if the operator has to advance funds on the District's behalf, and it should seldom be used.

Director Hasse noted that he would like to see the administrative and billing and collections duties broken down further. He stated that he wanted to better understand what details are included in the base rate. The Board noted that the previous contract had detailed descriptions of all items that were included in the base fees, and the contract should continue to reflect those for clarity.

The Board discussed the CPI increase. The District had a CPI provision in its previous contract, but the operator had never imposed it. The Board noted that there was an annual CPI adjustment contemplated in the new contract.

The Board discussed the contract in some detail. At the conclusion of the discussions, the Board agreed to send individual comments to the contract to the attorney, who will compile them and forward to the operator. The Board agreed to place the operator's contract on the next agenda for further discussions.

9. Kelly Shipley gave the engineer's report. The wastewater treatment plant building contractor is working on punchlist items. At the lift station, guardrails have been delivered, but handrails have to be refabricated due to errors in construction. Upon unanimous vote, the Board approved issuance of a check for payment of previously approved Pay Application No. 4.

10. The Board discussed water plant no. 1 pumps and taste and odor concerns. Kelly Shipley noted that in April, the District performed a pilot test to determine how to reduce taste and odor issues being experienced at water plant 1. The conclusion of the pilot study was that the operator was utilizing optimum dosages of chlorine to address the issue, but the taste and odor concerns persist. The engineer noted that the next step was to take the ground storage tank offline during the off season to examine the coatings. The coatings inside the tank may be contributing to the issues. Director Hasse asked what the solution would be, and the engineer noted that this would depend upon the findings. Director Hasse noted that the engineer should be prepared to address the issue, no matter what the findings are, or the District will have wasted water and time draining the tank. The engineer will plan for taking the tank out of service in the low water usage months.

11. The Board reviewed the feasibility report for the 2-acre Shahbazi tract and the 1.9188-acre Care for Kids Them Sum Investments tract. The Board reviewed a supplemental report prepared by the District engineer regarding the necessary easements to be acquired, including easements on the east side of the tract that would support extension of services via a main line at a later date. Upon unanimous vote, the Board authorized the attorney to prepare out-of-district water service agreements for the two customers.

12. The Board considered a proposed First Amendment to the Water, Sewer and Drainage Improvement Financing and Construction Contract with Taylor Morrison of Texas Inc. for Defined Area 2 to construct a nature play park. Angel Ruvalcaba and Bobby Skinner presented exhibits showing the proposed nature play park, including the provision of four parking spaces and one handicap parking space. In response to a question from the Board, Mr. Skinner noted that the new land plan contemplated development of 252 lots. The Board requested that the developer revise the exhibit to replace the climbing structure and to add the percentage of green space. The Board agreed to place the item back on the next agenda.

13. The Board discussed public education and outreach. Justin Waggoner discussed the District's website. The Board agreed that Touchstone would conduct one open house on the District's behalf on October 17 from 6:00 p.m. to 8:00 p.m. to discuss the upcoming bond election.

14. The Board discussed a tree giveaway for Newport Pointe. Director Chasteen noted that that area lost a lot of the new trees due to the hurricane and derecho. Trees for Houston donated 150 trees, and the District will rent a delivery truck and assist with the public outreach. Upon unanimous vote, the Board approved this tree program.

15. At 6:28 p.m., the Board convened in executive session pursuant to Texas Government Code §551.072 to discuss real estate matters. At 6:31 p.m., the Board reconvened in regular session.

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

Secretary

