

MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
NORTHAMPTON MUNICIPAL UTILITY DISTRICT

October 17, 2011

THE STATE OF TEXAS §
COUNTY OF HARRIS §
NORTHAMPTON MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the “Board”) of Northampton Municipal Utility District (the “District”) of Harris County, Texas, met in regular session, open to the public, at 7:00 p.m. on the 17th day of October 2011, at the regular meeting place thereof, the Northampton Center, 6012 Root Road, Spring, Texas, within the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

E. C. Thomas	President
Bill Black	1 st Vice President
W. Paul Schneider	2 nd Vice President
Joyce Nelsen	Secretary
John A. Braden	Treasurer/Investment Officer

All directors were present, thus constituting a quorum.

Also present were Ms. Cindy Schmidt, the District’s Bookkeeper; Ms. Esther Flores of Tax Tech, Inc., the District’s Tax Assessor/Collector; Mr. Robb Clark of Hays Utility South Corporation, the District’s Operator; Mr. Joshua Lee of Jones & Carter, Inc., the District’s Engineers; Mr. Jim Sheffield, the District’s General Manager; Mr. Joe Andress and Mr. Rick Benson, of Texas Trash; Mr. Doug Eibsen of Peramco, Inc., a developer in the District; Ms. Cherie Cross of Environmental Allies; Mr. Lance Langenhoven of KW Commercial; Mr. Art Brady, a resident of the District; and Mr. John R. Wallace of Bacon & Wallace, L.L.P., the District’s Attorneys.

WHEREUPON, following a notation that notices of the meeting had been duly posted in accordance with law, copies of which are attached hereto as exhibits, the meeting was called to order.

PLEDGE OF ALLEGIANCE AND INVOCATION

Director Thomas led the meeting in the Pledge of Allegiance followed by the invocation.

PUBLIC HEARING ON 2011 TAX RATE

Esther Flores confirmed that the notice of the public hearing on the District's proposed tax rate for 2011 was published in the *Houston Chronicle*. Following discussion, upon motion duly made and seconded, the Board voted unanimously to adopt an Order Setting 2011 Tax Rate establishing a debt service tax rate of \$0.36 and a maintenance and operation tax rate of \$0.25 for a combined tax rate of \$0.61 per \$100.00 of assessed valuation for 2011. A copy of the Order is attached hereto as an exhibit.

AMENDMENT TO INFORMATION FORM

The Board then reviewed an Amendment to Information Form and revised Notice to Purchaser form reflecting the District's 2011 tax rate. Following discussion, upon motion duly made and seconded, the Board voted unanimously to approve and execute the Amendment to Information Form and to authorize filing of same in Harris County Deed Records and with the Texas Commission on Environmental Quality.

APPROVAL OF MINUTES

Minutes for the Board of Directors meeting held on September 19, 2011 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve such minutes as presented. The Board then considered approval of the minutes for the Board of Directors meeting held on October 3, 2011. Upon motion duly made and seconded, the Board voted unanimously to approve such minutes as presented.

TAX ASSESSOR/COLLECTOR'S REPORT

Esther Flores presented the Tax Assessor/Collector's report, a copy of which is attached hereto as an exhibit. Ms. Flores reported that the District had collected 99.34% of the 2010 tax levy as of September 30, 2011. She noted that the cost to publish the District's 2011 tax rate notice in the *Houston Chronicle* was \$845.90.

Ms. Flores next presented for the Board's review the District's Delinquent Tax Roll as of October 13, 2011, a copy of which is attached hereto as an exhibit.

Following review and discussion, upon motion duly made and seconded, the Board voted unanimously to approve the Tax Assessor/Collector's report and to authorize payment of the checks listed thereon.

BOOKKEEPER'S REPORT

Cindy Schmidt presented the Bookkeeper's report and the Investment Report, copies of which are attached hereto as exhibits. Mr. Sheffield expressed his appreciation to Ms. Schmidt and her staff for their assistance with preparation of the Park Bond funds summary.

Following review and discussion, upon motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's report and payment of the checks presented for

payment. Following review, upon motion duly made and seconded, the Board voted unanimously to approve the Investment Report. Ms. Schmidt also reported that Director Braden has completed his required Investment Officer training.

ENVIRONMENTAL ALLIES

Cherie Cross presented a proposal on behalf of Environmental Allies for mowing services, including grass over-seeding and fertilization. Ms. Cross said all work would be guaranteed and generally at a lower cost than the competition. Mr. Sheffield noted that the District's staff is able to maintain the flat surfaces in the District but cannot handle maintenance of the sloped areas. He noted that the District currently employs Stormwater Solutions for maintenance of the sloped areas. Mr. Sheffield agreed to review the Environmental Allies proposal and compare their fees to the cost for services provided by the existing vendor.

TEXAS TRASH

Mr. Wallace informed the Board that he had reviewed the District's contract with Waste Management. He explained that the District will need to provide Waste Management with notice in January 2012 if the contract is to be terminated. Mr. Wallace noted that he had also reviewed the proposed contract with Texas Trash, and there were no substantive changes.

REQUEST FOR OUT-OF-DISTRICT SERVICE

Lance Langenhoven addressed the Board concerning a request for out-of-district service to property at 25000 Gosling Road and 24826 Gosling Road, consisting of approximately 22 acres of land located across from West Rayford Road. He provided a summary of the service request and a map showing the location of the property, a copy of which is attached hereto as an exhibit. Mr. Langenhoven said his client, Jorge Canavati, is requesting out-of-district water and sewer service rather than annexation, since taxes on the property would increase significantly if annexed by the District. Mr. Langenhoven explained that his client plans to build one single-family home and develop an equestrian farm and arena.

Mr. Sheffield said the property owner may want to consider installation of a private well and septic system. Mr. Wallace stated that the District's out-of-district service rates are set at five times the normal customer rate because the property would not be subject to taxation. Mr. Langenhoven requested information concerning the District's current water and sewer rate structure. Mr. Wallace agreed to provide Mr. Langenhoven with a copy of the current Rate Order. Mr. Sheffield noted that there are no utility lines in the area at this time, and the construction of lines to serve the area is about one year away. He estimated a water and sewer service cost of about \$450.00 per month for the out-of-district property. Mr. Langenhoven said he would discuss the utility service options with his client.

OPERATOR'S REPORT

Robb Clark presented the Operator's report, a copy of which is attached hereto as an exhibit. Mr. Clark reported that the District accounted for 93.37% of the water produced during

the previous month, and the District billed customers for 62,793,000 gallons of water, which was the highest amount this year. He noted that well pumping times have decreased.

Mr. Clark next reported that the Wastewater Treatment Plant (the "Plant") operated within permit parameters during the month. He reported that the chlorine pump failed while still under warranty, and the contractor will make the necessary repairs.

A discussion ensued regarding the inspection of backflow preventers. The Board agreed that a notice should be included in the newsletter and on the District's website regarding this matter.

Upon motion duly made and seconded, the Board voted unanimously to approve the Operator's report and to authorize termination of services to the accounts listed as delinquent.

TCEQ SUPPLEMENTAL ENVIRONMENTAL PROJECT

Director Black reported that he planned to contact the coordinator at the Texas Commission on Environmental Quality (the "TCEQ") to set up a meeting and review the plans for the District's Supplemental Environmental Project.

ENGINEER'S REPORT

Josh Lee presented the Engineer's report, a copy of which is attached hereto as an exhibit. Mr. Lee reported on the status of the Sanitary Sewer Rehabilitation Project and noted that the contractor, Institutorm Technologies, expects to complete the project by the end of November. He reported that the residence with the rock wall located within the easement is owned by FNMA, and a seven day notice of the work to be done in the easement was posted on the house. He said the contractor will proceed with the sewer line repair, requiring demolition of the rock wall within the easement.

Mr. Lee next reported that comments have been received from the City of Houston and Harris County on the drawings for the Gosling Road utility extension project. He said the Engineers are now focusing on the easements required for the project.

Mr. Lee reported that an application has been submitted to the Texas Historical Commission, and that an archeological consultant will need to be hired to prepare and submit a report.

Mr. Lee then reported that the District received final approval from the TCEQ on its application for use of reclaimed water. He explained that the District may proceed with irrigation using reclaimed water within the Plant site area. He also noted that the Engineers are working with Spring Gardens on its reclaimed water irrigation plan and agreement which must be approved by the TCEQ.

Mr. Lee next reported on the annual facilities inspection. He noted that the Plant was not included in the inspection, except for the outfall pipe corrosion problems and bank movement issue. It was recommended that Mr. Sheffield have the outfall pipe televised, and the Board

authorized such action. Mr. Lee reported on several lift stations with corrosion problems and recommended repairs to the facilities, as follows: (1) wet well walls at Root Road; (2) piping at Bridgeway; (3) recoating wet well at Kingscrest; and (4) recoating wet well at Northcrest. He estimated a total cost of \$133,000 for these repairs.

The Board then reviewed G-M Services performance report on Water Well No. 2, a copy of which is attached hereto as an exhibit. Mr. Lee informed the Board that the pump submergence increased by one foot since last month. He presented a Preliminary Cost Estimate in the amount of \$104,800 to lower the pump by about 240 feet, a copy of which is attached hereto as an exhibit. Following discussion, upon motion duly made and seconded, the Board voted unanimously to authorize the Engineer to proceed with the Water Well No. 2 repair project on an emergency basis. The Board directed the consultants to work on a plan of financing for this project.

Mr. Lee then presented Pay Estimate No. 5 from Instituform Technologies in the amount of \$82,464.30 for work on the Sanitary Sewer Rehabilitation Project. Following review, upon motion duly made and seconded the Board voted unanimously to approve the pay estimate.

BOND APPLICATION

Mr. Lee reported that the draft engineering report for the bond application is complete and under review by the District's consultants. He said funds from the proposed \$2,175,000 bond sale will be used for the Gosling Road utility extensions project. Following discussion, upon motion duly made and seconded, the Board voted unanimously to approve a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds on an expedited basis, a copy of which is attached hereto as an exhibit. The Board directed the District's consultants to review the projects and related funding for the purpose of reducing the bond issue amount.

ENCANTO REAL UD

A discussion ensued regarding the District's Emergency Water Supply Agreement with Encanto Real Utility District ("Encanto"). Mr. Wallace noted that the current Agreement includes a price of \$0.75 per 1,000 gallons of water used through the interconnect. The Board discussed amending the agreement to increase the rate to at least cover the cost to produce the water. The Board authorized Mr. Wallace to approach Encanto with a proposal to amend the current agreement to raise the cost of water to \$1.25 per 1,000 gallons.

DEVELOPER'S REPORT

There was nothing new reported by the developers.

INTERLOCAL AGREEMENT

It was reported that a change of County Commissioners has caused a delay in execution of the proposed Interlocal Agreement for the traffic light construction project. Mr. Eibsen reported that he expected to see a draft agreement shortly.

ATTORNEY'S REPORT

Mr. Wallace reported that he is working with Mark Dinges on the Gosling Road right-of-way acquisition project. Mr. Wallace also reported that he received from Mr. Paul Cheng a development map including proposed annexations. He noted that Mr. Cheng was reminded that he still needs to submit the \$15,000 deposit for the feasibility study before any work can proceed.

With respect to proposals for arbitrage review services, Mr. Wallace reported that another vendor has been located and a proposal will be provided at the Board's next regular meeting.

Mr. Wallace then presented for the Board's approval an Election Services Agreement with ES&S. Following review, upon motion duly made and seconded, the Board voted unanimously to approve the Election Services Agreement with ES&S.

Next Mr. Wallace presented and reviewed with the Board the Management Discussion and Analysis letter received from McCall Gibson Swedlund Barfoot, PLLC in connection with its recent audit of the District, a copy of which is filed in the District's permanent records.

SECOND AMENDMENT TO AGREEMENT FOR MANAGEMENT AND OPERATION OF OAKMONT PARK AND RECREATIONAL FACILITIES

Mr. Wallace reviewed with the Board a draft of the Second Amendment to Agreement for Management and Operation of Oakmont Park and Recreational Facilities (the "Amendment"). He noted that the monthly charge has been increased at the recommendation of Mr. Sheffield to \$15,866.66 including an increase in the minimum wage. He noted that Oakmont Public Utility District ("Oakmont") has received notice of the proposed fee increase. Mr. Sheffield noted that the Oakmont pool is very popular. Director Braden requested a meeting with Mr. Sheffield to review the proposed rate increase. The Board determined to table approval of the Amendment until the recreational meeting on November 7, 2011.

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

Secretary, Board of Directors

(SEAL)