

MINUTES OF REGULAR MEETING
NORTHAMPTON MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS

November 21, 2011

THE STATE OF TEXAS §
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COUNTY OF HARRIS §

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 21st day of November 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	1st Vice President
W. Paul Schneider	2nd Vice President
Joyce Nelsen	Secretary
John A. Braden	Treasurer/Investment Officer

All members of the Board were present, except Director Thomas, 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 and Mr. Erich Peterson, P.E. of Jones & Carter, Inc., the District’s Engineers; Mr. Jim Sheffield, the District’s General Manager; Ms. Debbie Gibson of McCall Gibson Swedlund Barfoot, PLLC, the District’s Auditors; Mr. Doug Eibsen of Peramco, Inc., a developer in the District; and Mr. John R. Wallace and Mr. Michael P. Bacon 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. In the absence of President Thomas, Vice President Black took the chair and presided over the meeting.

PLEDGE OF ALLEGIANCE AND INVOCATION

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

ENGAGEMENT OF AUDITOR

Debbie Gibson presented a proposal on behalf of McCall Gibson Swedlund Barfoot PLLC to perform an audit of the District’s books and records, including the records for the Joint

Wastewater Treatment Plant (the "Plant") for the fiscal year ending December 31, 2011. A copy of the proposal is attached hereto as an exhibit. Ms. Gibson noted that GASB 54 imposes a new reporting requirement, including changing the names of certain funds and other terminology. Following discussion, upon motion duly made and seconded, the Board voted unanimously to approve the engagement of McCall Gibson Swedlund Barfoot PLLC to prepare the District's 2011 audit report.

APPROVAL OF MINUTES

Minutes for the Board of Directors meeting held on October 17, 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 November 7, 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 has started receiving the 2011 tax payments. She said that several revisions to the tax roll received from the Harris County Appraisal District have been processed, and \$337,103,972 is the District's updated valuation.

Ms. Flores next presented for the Board's review the District's Delinquent Tax Roll as of November 16, 2011, a copy of which is attached hereto as an exhibit. Ms. Flores recommended that the Operator include a notice with the water bills to remind taxpayers to contact the Tax Assessor if they did not receive a tax statement. The Board approved the request for the notice to taxpayers and also requested that the notice be posted on the District's website.

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.

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 approval. Following review, upon motion duly made and seconded, the Board voted unanimously to approve the Investment Report. Ms. Schmidt reported that the tennis center owners had not paid the \$1,576.00 balance of fees due the District, and the bill was hand delivered by Mr. Sheffield. The Board authorized Mr. Sheffield to make a demand to the tennis center owners.

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 91.87% of the water produced during the previous month, and the District billed customers for 45,231,000 gallons of water.

Mr. Clark next reported that the Plant operated within permit parameters during the month. Mr. Clark next reviewed the customer service log, a copy of which is attached hereto as an exhibit. He noted that five calls came from Lift Station No. 3. Mr. Clark informed the Board that the new alarm circuit boards arrived, and they are working to get the modifications made.

Mr. Sheffield recommended that the water valve at the Plant be relocated near the headworks of the Plant, and Director Black agreed. A discussion ensued regarding relocating the water valve next to the slab at the Lift Station.

Mr. Clark next presented for the Board's approval a list of customer accounts recommended for write-off. He noted that most of the amounts are for delinquent fees and penalties. Upon motion duly made and seconded, the Board voted unanimously to approve the write-off of the delinquent customer accounts.

Mr. Clark presented a letter from the Texas Commission on Environmental Quality ("TCEQ") regarding a violation for monitoring samples that were not received in September. A copy of the letter is attached hereto as an exhibit. Mr. Clark said his office could not verify transmission of the samples from the Operator's records, but he promised to resolve the issue.

Mr. Clark next presented for the Board's review the Operator's proposal for replacement of the 24-inch Outfall Pipe from the Plant in the amount of approximately \$48,000, not including rip-rap.

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

Mr. Wallace reported that the District has not received the funds back from the TCEQ for the Bayou Land Conservancy project. The Board determined to table action on this matter.

ENGINEER'S REPORT

Josh Lee presented the Engineer's report, a copy of which is attached hereto as an exhibit. Mr. Lee presented a Surplus Funds Summary including the District's pending capital projects, a copy of which is attached hereto as an exhibit. Mr. Lee stated that the remaining surplus funds total \$1,559,000 from two previous bond issues. Mr. Lee presented the following estimates for the pending construction projects:

Lift Station Rehabilitation	\$133,000.00
Water Well No. 2 Rework	\$115,000.00
Wastewater Treatment Plant Outfall	\$60,000.00
Manhole Rehabilitation	<u>\$300,000.00</u>
Total	<u>\$608,000.00</u>

Mr. Lee noted that \$951,000 of surplus funds will remain after funding of the capital projects. Mr. Lee said that the proposed bond issue requirement is \$2,120,000, but with the use of \$850,000 of surplus funds the total bond issue amount could be reduced to \$1,270,000. Jan Bartholomew said she had re-run the pro formas, and no tax rate increase would be required for this bond issue.

A discussion ensued regarding the size of the bond issue, and whether the District should shift \$0.03 of the tax levy from the maintenance and operating fund to the debt service fund. The Board discussed future requirements of the Operating Fund, and the need to maintain adequate funding for capital projects. The Board concluded it would be preferable to retain the surplus construction funds going forward, given the age and condition of the system. Ms. Schmidt noted that the Debt Service Fund reserve is a healthy amount at this time. Mr. Sheffield commented that the spending for park projects is winding down, and the District should have a good amount of surplus Park Bond funds available to use. It was also noted that the District's sewer lines and Plant are in good shape. The Board concluded that the District should file a bond application in the amount of \$2,120,000 and amend it later if necessary. Upon motion duly made and seconded, the Board voted unanimously to adopt a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds in the amount of \$2,120,000, subject to final review of the assumptions.

Mr. Lee reported on the status of the Sanitary Sewer Rehabilitation Project and noted that the contractor, Institutorm Technologies, has one point repair remaining and expects to complete the project and yard clean-ups by the end of the year. He noted that the project should be closed out in January 2012.

Mr. Lee next reported that the Engineers met with the City of Houston to discuss their review comments on the drawings for the Gosling Road Utility Extension project. He said the Engineers are revising the metes and bounds descriptions and exhibits for the easements required for the project, and they will be forwarded to Mark Dinges and John Wallace for acquisition and recordation. Mr. Lee recalled that the Texas Historical Commission ("THC") required the District to hire an archeologist to perform a survey of the site and submit a report to the THC. Mr. Lee said that Moore Archeological Consulting, Inc. submitted a proposal in the amount of \$17,886 to perform the required historical survey. A copy of the proposal is attached hereto as an exhibit. Director Black recommended that the District require that a draft of the report be submitted to the Board. Upon motion duly made and seconded, the Board voted unanimously to authorize Moore Archeological Consulting, Inc. to perform the survey required by the THC at a cost not to exceed \$17,886, including a draft of the report to the District.

Mr. Lee next reported on the status of the Plant outfall pipe inspection. Mr. Lee said that the creek bank has shifted, and the timber bent is now exposed. Mr. Lee stated that Insituform

can line the pipe, but the Engineers are looking at alternate proposals as well. Mr. Lee presented the following proposal for this work:

T.V. costs	\$3,250.00
Pipe lining	\$38,000.00
New timber bent and rip rap	<u>\$16,000.00</u>
Total	\$60,000.00

Mr. Lee reported that these repairs could be included as a change order. He said it could be more expensive to repair and/or replace these items, because the District would be required to submit a major permit amendment. Upon motion duly made and seconded, the Board voted unanimously to approve the Insituform proposal.

Mr. Lee reported that the TCEQ authorized the District to waive public bidding on the Water Well No. 2 Rework project due to the emergency status of the project. Mr. Lee said that three bids were solicited for this project, as follows:

Layne Christensen Company	\$95,043.00
Weisinger	\$99,300.00
Alsay	\$137,400.00

Following review, upon motion duly made and seconded, the Board voted unanimously to award the contract for the Water Well No. 2 Rework project to the Layne Christensen Company.

Mr. Lee next reported on the status of the proposed reclaimed water contract with Spring Gardens Nursery. Mr. Lee reported that the Engineers and Director Black met with Richard Gieseke of Spring Gardens Nursery to discuss the reclaimed water application and agreement. Mr. Lee said the Engineers have obtained information on the proposed pump costs and are working on the cost of the application to the TCEQ, the design and pumps. He noted that Director Black and Mr. Wallace are reviewing comments to the proposed agreement. The Board determined to table the matter at this time.

Mr. Lee requested authorization to proceed with a Change of Scope and Release of Escrowed Funds application for the Lift Station rehabilitation items noted in the District's 2011 Annual Facilities Inspection Report and the Water Well No. 2 Rework project due to the decrease in pump submergence. Following review and discussion, upon motion duly made and seconded, the Board voted unanimously to approve the Resolution Authorizing Application for Texas Commission on Environmental Quality Approval of Change in Project Scope, a copy of which is attached hereto as an exhibit. It was noted that funds for these projects have not been escrowed.

Mr. Lee then presented Pay Estimate No. 6 from Insituform Technologies in the amount of \$171,089.10 for work on the Sanitary Sewer Rehabilitation Project and Change Order No. 2 in the amount of \$20,475, including \$3,250 for televising costs and \$17,225 for lining pipe

including cleanouts rather than manholes. Following review, upon motion duly made and seconded the Board voted unanimously to approve the pay estimate and change order.

Mr. Lee next reported that the application for release of escrowed funds for the Park projects was submitted to the TCEQ, and approval is expected in February.

Upon motion duly made and seconded, the Board voted to approve the Engineer's report as presented.

ENCANTO REAL UD

Mr. Wallace reported that the Amended Emergency Water Supply Contract has been submitted to the Encanto Real Utility District's attorney for review.

DEVELOPER'S REPORT

Doug Eibsen stated that he had nothing new to report on behalf of the developers.

WEST RAYFORD/GOSLING TRAFFIC LIGHT

Mr. Wallace reported that an agreement has been negotiated with Harris County Precinct 4 to construct a traffic signal at the intersection of West Rayford Road and Gosling Road. Mr. Eibsen reported that Harris County is willing to fund 50% of the costs, estimated as follows:

Construction costs	\$140,000.00
Contract administration and testing	\$9,000.00

Mr. Eibsen said that he believes the actual cost will come in lower, closer to \$125,000, and multiple parties are contributing to the local share of the costs. Mr. Eibsen said he plans to deliver the checks to the commissioner.

Upon motion duly made and seconded, the Board voted unanimously to approve the Agreement with Harris County for construction of a traffic signal at West Rayford Road and Gosling Road. A copy of the Agreement is attached hereto as an exhibit.

RESOLUTION REGARDING TAXATION OF GOODS-IN-TRANSIT

Mr. Wallace presented for the Board's review a Resolution Regarding Taxation of Goods-in-Transit. Following review and discussion, upon motion duly made and seconded, the Board voted unanimously to approve the Resolution Regarding Taxation of Goods-in-Transit, a copy of which is attached hereto as an exhibit.

ATTORNEY'S REPORT

Mr. Wallace next reported on the status of the District's contract for garbage collection. He said that Waste Management has not yet submitted a renewal proposal. Mr. Wallace noted

that the Board had previously agreed to enter into an agreement with another garbage collection vendor.

Mr. Bacon the presented engagement letters for arbitrage services from Arbitrage Compliance Specialists (“ACS”), copies of which are attached hereto as exhibits. Mr. Bacon reported that some fees may be higher than quoted, and it is unknown how this will affect the pricing. Mr. Bacon said that the District will need to submit a formal Request for Proposal to get true quotes. Mr. Bacon reported that he has found some information on other vendors in the market, and ACS is generally competitive in the market. He informed the Board that a City government reviews this every five years. Mr. Bacon explained that the arbitrage compliance reports need to be prepared for the District's bonds refunded in 2010.

Upon motion duly made and seconded, the Board voted unanimously to approve the engagement letters submitted by Arbitrage Compliance Specialists for arbitrage rebate reports on the District's Series 1993 Bonds, Series 1993-A Bonds, Series 1998 Bonds and the Series 2010 Bonds.

GENERAL MANAGER’S REPORT

Mr. Sheffield next presented proposals for repair of the meeting facility roof, as follows:

Metal roof including guttering and trim	\$19,580
Composite roof plus \$3,000.00 to remove existing roof	\$12,000

Mr. Sheffield noted that the roof can wait to be replaced until the bond funds are released. Following discussion, upon motion duly made and seconded, the Board voted unanimously to proceed with the roof replacement project using the metal roof option.

CONSULTANT CONTRACTS

Upon motion duly made and seconded, the Board voted unanimously to request the consultants to submit contract renewal proposals.

CHENG DEVELOPMENT

A discussion ensued regarding the development proposed by Paul Cheng. Mr. Wallace said that a development agreement covering all pending matters would be prepared by Mr. Cheng's attorney.

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

Secretary, Board of Directors

(SEAL)