

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

July 18, 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 18th day of July 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, except Director Black, 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. Erich Peterson, P.E. and Mr. Joshua Lee of Jones & Carter, Inc., the District’s Engineers; Mr. Jim Sheffield, the District’s General Manager; Mr. Gonzalo Velaochaga of Peramco Inc., a developer in the District; Mr. John Untereiner, P.E. of Jones and Carter, Inc., representing Oakmont Public Utility District; Mr. Daniel Eichenour, a customer 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 COMMENTS

Mr. Daniel Eichenour said that he received a high water bill at his property located outside the District at 5927 Elmgrove Road. He explained that the property is out of the District, and he was allowed to disconnect from the sewer and use an aerobic system. Mr. Eichenour said that the water to this property is still supplied by the District. Mr. Eichenour said that the property is vacant, yet he received a water bill for over 100,000 gallons. He said he cannot explain the use, he found no apparent leaks and the aerobic system is shut off. According to the Operator, the meter has been shown to be accurate, and no leaks were detected. Mr. Eichenour said he has made some payments on the account and asked for the Board's consideration. Mr. Clark said average usage is 12,000 to 14,000 gallons of water per month, and the usage reported by Mr. Eichenour's meter has now returned to normal. Director Braden suggested that the District bill the base rate excluding the multiplier, to recover the cost of the Regional Water Authority fee and the cost of the water. Director Thomas asked the Operator to monitor the account. Upon motion duly made and seconded, the Board voted unanimously to authorize the billing adjustment as proposed and directed the Operator to report to the Board on this account.

APPROVAL OF MINUTES

Minutes for the Board of Directors meetings of June 20, 2011 and July 4, 2011 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve these minutes as presented.

The Certified Agenda for the Board of Directors Executive Session of June 20, 2011 was presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve the Certified Agenda 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 collected 98.44% of the 2010 tax levy. Ms. Flores presented the District's Delinquent Tax Roll as of July 14, 2011, a copy of which is attached hereto as an exhibit. Ms. Flores said the Delinquent Tax Roll is comprised of 53 accounts; 23 of those accounts are excluded from collection because they are on installment plans or over 65 deferrals. Ms. Flores reported that a new account has been added for 2010, and \$108 in taxes are due on the 0.7 acres that were found to be within the District out of a 5 acre tract owned by Sarah Yeager. The property has been in the District for 15 years or more. She explained that the Harris County Appraisal District ("HCAD") can go back 5 years, the legal limit, and apply taxes if the Board instructs them to do so. Upon motion duly made and seconded, the Board voted unanimously to assess taxes on Ms. Yeager's property for the tax year 2010 and forward only. Ms. Flores agreed to inform Ms. Yeager of the Board's decision.

Upon motion duly made and seconded, the Board voted unanimously to approve the Tax Assessor/Collector's report as presented and authorized payment of the checks listed thereon.

OAKMONT PUBLIC UTILITY DISTRICT MATTER

Mr. John Untereiner and Mr. Gonzalo Velaochaga addressed the Board concerning Oakmont Public Utility District (“Oakmont”). Mr. Untereiner said that Oakmont has been having problems with bad tasting water due to gas intrusion into the well for the past several years. Mr. Untereiner said Oakmont has a new aeration tower under construction so they will need to connect directly to the Ground Storage Tank (“GST”). Mr. Untereiner said they will need to take the GST out of service for several days, and they want to go on interconnect with the District. He said 10 days’ work is proposed but it could be reduced to 5 days. Mr. Sheffield said he discussed the matter with the Operator, and under the current extreme drought conditions this may force the District into implementing Stage 1 drought contingencies. Mr. Sheffield said he was very concerned with the poor timing and stopped the project. Mr. Sheffield said that 8 to 9 days to make the connection is more realistic and questioned why the District should accommodate Oakmont’s request under current drought conditions. Mr. Clark said that the current well run times are averaging 10 to 11 hours per day. Mr. Sheffield noted that the well run time on July 1 was 17 hours.

Mr. Lee presented a summary of water well usage, a copy of which is attached hereto as an exhibit. Mr. Lee reported that the average run time for all 3 wells would have been 14.4 hours per day had Oakmont been receiving water from the District. Mr. Lee said that the Stage 1 drought contingency trigger is 18 hours per day of well run time for 3 consecutive days. Director Braden asked if District would be compelled to implement the Stage 1 drought contingency action. Mr. Velaochaga said he agreed with and appreciated Mr. Sheffield’s position on the matter, and the Oakmont residents are willing to do whatever is necessary to avoid an emergency or contingency situation. He agreed that all operators and engineers need to coordinate their efforts, and the contractor needs to be monitored throughout the process. Mr. Velaochaga said the homeowners association is willing to reduce its esplanade watering schedule. Mr. Untereiner said that Oakmont has implemented voluntary drought measures. Mr. Wallace said that the Texas Commission on Environmental Quality (the “TCEQ”) has sent a request to all districts to voluntarily implement drought contingency measures, a copy of which is attached hereto as an exhibit. Mr. Sheffield stated that the District is receiving extremely short notice on this request, and he asked to see engineering communications squared up. He noted that this interconnect request is outside of his comfort zone. Director Thomas said the Board should be responsive to the TCEQ’s request for voluntary water conservation efforts. Mr. Untereiner reviewed the timing of the schedule for dealing with the gas intrusion problem at the Oakmont well and noted that the situation is not an emergency. He said the residents of Oakmont are unhappy with their water quality, but they do not want to put Northampton residents at risk. Mr. Sheffield said he would agree to the interconnect use, as long as the Stage 1 triggers are not met. He said Oakmont residents should be frugal with their water usage, and he asked for earlier notice in the future from the Engineers. Mr. Peterson acknowledged that the Engineers knew about the Oakmont situation earlier. Following a discussion by the Board, upon motion duly made and seconded, the Board voted three to zero to approve the emergency interconnect with Oakmont as discussed. Director Nelsen abstained on the motion.

BOOKKEEPER'S REPORT

Cindy Schmidt presented the Bookkeeper's report and the Investment Report, copies of which are attached hereto as exhibits. Ms. Schmidt reported that the money collected from Oakmont Public Utility District and the District to pay the fine on the Agreed Order was returned to both districts' accounts, and the TCEQ has not billed the District.

Upon motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's report and the Investment Report, and to authorize payment of the checks presented for approval.

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 93.4% of the water produced during the previous month, and he reported that the Wastewater Treatment Plant (the "WTP") operated within permit parameters last month. Mr. Clark reported that the District had two large mainline breaks during the past month, so the Operator had to estimate water usage during the break. Mr. Clark reported that the lift pump was cleaned at the main lift station because it was clogged with debris.

Mr. Clark reported that a billing error was discovered during a recent rate audit, as a result of the Operator's charges for new rates being applied to both water and sewer services. Mr. Clark presented a schedule of the overpayments which totaled \$26,523.12, a copy of which is attached hereto as an exhibit. The Operator proposed payback over the next four months, beginning next month. The Board agreed with the Operator's proposal for the payback schedule.

Mr. Clark next reported on the status of the TCEQ Supplemental Environment Project, and said he had received no word from the TCEQ on this project.

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.

ENGINEER'S REPORT

Josh Lee presented the Engineer's report, a copy of which is attached hereto as an exhibit. Mr. Lee reported that the Wastewater Treatment Plant Expansion Project final inspection was held, and that the contractor is working on a punchlist. Mr. Lee said that the new blower has a bearing problem which will require three to four weeks to repair. Mr. Lee said that the hydroseeding has not been done due to the extremely dry weather. Mr. Sheffield noted that about 25 vehicles would park on site every day, so the hydroseeding project needs to be delayed. Mr. Lee reported that the Storm Water Pollution Prevention Plan was completed and in place at the WTP, Hays Utility's Office and the Engineer's office.

Mr. Lee reported that the work with Mr. Wallace on the draft Waste Disposal Agreement with Klein ISD is continuing.

Mr. Lee next reported on the status of the Sanitary Sewer Point Repair Project. Mr. Lee said the contractor needs to make a point repair at 6103 Allentown Drive which will require destruction of about 1.5 feet of the resident's rock waterfall feature. Mr. Lee reported that Mr. Sheffield and the Engineer have been unsuccessful to contact the resident since the initial contact, but they need to contact the resident before they take out the rock feature. Mr. Lee said that all written notifications have been made. Mr. Wallace recommended a final 7-day notice to the resident that the point repair will be made, noting that the waterfall feature lies approximately 5 feet into the District's easement.

With regard to the Gosling Road utility extension project, Mr. Lee reported that the Engineers will submit preliminary drawings for the project to the City of Houston within the next two weeks. Mr. Lee reported that once the City of Houston provides easement widths, they will prepare metes and bounds descriptions and exhibits for all of the easements. He added that the Engineer will work with Mark Dinges and John Wallace to prepare the dedication language and acquisition of the easements.

Mr. Lee reported that Mr. Wallace and the Engineers had several discussions with Paul Cheng, Tim Green and David Schnurbusch concerning the Lakes of Northampton development. He said Mr. Cheng stated that he does not have an updated land plan or any plans for development at this time. Mr. Lee stated further that, at Mr. Cheng's request, the Engineer sent a letter, a copy of which is attached hereto as an exhibit, including information on Northampton's current available water plant and wastewater treatment plant capacity.

Mr. Lee next reported that the Engineer is preparing the bond application report. He said that once they receive comments from the City of Houston and Harris County on the Gosling Road Water and Sanitary Sewer Extension Drawings to confirm they will not change the alignment, they will finalize the preliminary cost estimate to determine the size of the bond issue. Mr. Lee reported that the Engineer will work with the Financial Advisor and Attorney to complete the bond application report.

Mr. Lee presented Pay Estimate No. 2 from Insituform Technologies, Inc. on the Sanitary Sewer Rehabilitation Project in the amount of \$300,978.90.

Mr. Lee reported that the Engineer prepared a Reclaimed Water Application to the TCEQ requesting permission to provide reclaimed water to the Spring Gardens Nursery for irrigation purposes, as well as using reclaimed water for irrigation of the WTP site. Mr. Lee requested authorization to prepare a draft contract with the nursery owner, which the Board approved.

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

ATTORNEY'S REPORT

Mr. Wallace reported that the annual continuing disclosure supplement was filed, and he would follow up with Debbie Gibson on the final audit report. He said that approval of the 23

acre annexation is still pending at the Department of Justice, and the Voting Rights Act submission letter was sent in June. With regard to the Paul Cheng development, Mr. Wallace reported there will be lots of things to do once Mr. Cheng provides a development plan. Mr. Wallace reported that Mr. Sheffield is working on proposed amendments to the Oakmont recreational services agreement.

Mr. Wallace reported that he received an advisory from the Harris County Clerk's office that personnel and electronic voting equipment may not be available for the May 2012 election. He reported that Partners in Building would like to convey certain landscape reserves to the District. He said these areas are currently being maintained by the Country Club and Maintenance Fund. Mr. Wallace recommended that the District not accept the conveyance as far as parks and recreation are concerned. Director Braden suggested that Partners in Building should consider conveying the land to Harris County. Upon motion duly made and seconded, the Board voted unanimously to deny the request.

GENERAL MANAGER'S REPORT

Director Thomas and the Board commended Mr. Sheffield on completion of the Pavilion.

Mr. Sheffield reported that he is working to complete the parks items for the release of the escrowed funds

EXECUTIVE SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in Executive Session at 9:05 p.m. to discuss personnel matters. The Board reconvened in open session at 9:18 p.m.

Upon motion duly made and seconded, the Board voted unanimously to adjust the General Manager's annual salary to \$108,000, including discussion with the Bookkeeper regarding how to calculate the retirement contribution.

OTHER BUSINESS

Director Braden reported that he sent a letter to Bank of America regarding the District's credit card account. Director Braden said that the Comptroller of Currency responded to a copy of the letter, and the Bank of America is not requiring a guaranty for the District's credit cards.

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

(SEAL)

Secretary, Board of Directors

