

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

September 19, 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 19th day of September 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. Erich Peterson, P.E. of Jones & Carter, Inc., the District’s Engineers; Mr. Jim Sheffield, the District’s General Manager; Ms. Jan Bartholomew of RBC Capital Markets, the District’s Financial Advisor; Mr. Joe Andres and Mr. Rick Benson, of Texas Trash; 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.

TEXAS TRASH

Joe Andres and Rick Benson presented a proposal for trash pick up. Mr. Andres noted that Tuesdays and Fridays are the days currently available for trash pick up. Mr. Andres said that their company is growing, and unlimited back door service is available. The price for a monthly contract is \$17.50 per residence. Mr. Andres informed the Board that Texas Trash is fully insured, and a missed pick up would be corrected within 24 hours. Mr. Sheffield said that the District has two regular dumpsters and occasionally needs a roll-off bin. The Board requested that Mr. Wallace review the Texas Trash contract as well as the contract with the present vendor.

APPROVAL OF MINUTES

Minutes for the Board of Directors meeting of August 15, 2011 and September 5, 2011 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve these minutes as corrected.

Minutes for the Board of Directors meeting of September 5, 2011 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve these 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 collected 99.10% of the 2010 tax levy. Ms. Flores presented the District's delinquent tax roll as of September 14, 2011, a copy of which is attached hereto as an exhibit. Ms. Flores reported that the projected Assessed Value for the District for 2011 is \$336,686,994, which includes approximately \$7,000,000 of uncertified owners values. Ms. Flores noted that this figure is down slightly from last year.

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.

Jan Bartholomew presented a tax rate recommendation letter and cash flow analysis for the Board's review, a copy of which is attached hereto as an exhibit. Based on the analysis presented, Ms. Bartholomew recommended that the Board consider levying a 2011 tax rate of \$0.36 per \$100 of assessed valuation for debt service purposes and \$0.25 per \$100 of valuation for maintenance purposes.

Following discussion, upon motion duly made and seconded, the Board voted unanimously to authorize the Tax Assessor/Collector to publish notice of the 2011 tax rate hearing based on a proposed \$0.36 debt service tax rate and a \$0.25 maintenance and operations tax rate for a combined rate of \$0.61 per \$100 of assessed valuation. The Public Hearing on Tax Rate was set for the next regular meeting, October 17, 2011.

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 the Investment Report, and to authorize payment of the checks presented for approval.

ANNUAL REVIEW OF INVESTMENT POLICY

The Board then reviewed an Order Regarding Annual Review of Rules, Policies and Code of Ethics for the Investment of District Funds. After discussion, upon motion duly made and seconded, the Board voted unanimously to approve the Order Regarding Annual Review of Rules, Policies and Code of Ethics for the Investment of District Funds. A copy of the Order is attached hereto as an exhibit.

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 93.06% of the water produced during the previous month. Mr. Clark said that Oakmont Public Utility District ("Oakmont") paid for 3,040,000 gallons of water used. Mr. Clark said that Encanto Real used a small amount of water through the interconnect during a project to repair their well motor controls. Mr. Clark recommended modifying the emergency interconnect agreement to include the North Harris County Regional Water Authority ("RWA") fee to the water charges. Mr. Clark reported that there were no excursions at the Wastewater Treatment Plant ("WTP") last month.

Mr. Clark reported that a repair was needed on the sanitary sewer line crossing the Ward tract, and a seven-inch section of line was replaced. Mr. Sheffield said that tennis center contractors were driving over the area with heavy equipment, and he believes that could have possibly damaged the line. Director Thomas asked the Operator to consider placing a steel plate on top of the excavated area. Mr. Sheffield noted that the contractor was excavating on the sides of the lines as well.

Mr. Clark next reported that alarm maintenance is ongoing, and other maintenance items are being addressed. Mr. Peterson noted that he has the valve survey results and he will be able to proceed with a full flushing plan. Director Thomas questioned the E. coli measurement since it was different from the previous month. Mr. Clark explained that the measurement difference may be due to the dechlorination process and construction issues.

Director Black outlined a new sludge program at the Plant. Director Black said that the program would include de-watering at the Plant site and disposal of the solids at a land farm. Mr. Clark reviewed two proposals for sludge de-watering, including a proposal from Terra Renewal for \$0.415 per gallon and a proposal from Solids Recovery Services for \$0.0435 per gallon. A fuel surcharge would be added to each estimate. Mr. Clark noted that the proposed program would be less expensive than the amount the District is currently paying for sludge

disposal, which does not include sludge de-watering. Director Thomas requested clarification as to whether the contractor would need a power source. It was noted that the power connection must meet U.L. requirements and be installed by a licensed electrician. Director Black said that the cost savings are projected at approximately \$2,000.00 per haul. Following discussion, upon motion duly made and seconded, the Board voted unanimously to employ Terra Renewal to provide biosolids management and to make arrangements for installation of an appropriate electrical connection.

Director Thomas addressed questions concerning the Operator billing.

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 AGREED ORDER

Mr. Wallace reported that final paperwork was received from the Texas Commission on Environmental Quality ("TCEQ") regarding the Agreed Order. Mr. Wallace said the fine has been invoiced and paid. Director Black said the District should contact the TCEQ and follow up on the Spring Creek project.

ENGINEER'S REPORT

Erich Peterson presented the Engineer's report, a copy of which is attached hereto as an exhibit. Mr. Peterson reported that the Engineers expect to send out the draft Bond Application Report to the consultants within the next month. Mr. Peterson stated that the current timeline is to submit the Bond Application Report to the TCEQ under a 45-day expedited review before the end of October.

Mr. Peterson informed the Board that a draft of the Amended and Restated Waste Disposal Agreement has been sent to Klein Independent School District. He said that they are working on finalizing the agreement, and there are a couple of items that they are still waiting on from Klein ISD. Mr. Peterson said once they receive these items from Klein ISD, the agreement will be finalized and presented to the Board for approval and execution.

Mr. Peterson next reported on the status of the Sanitary Sewer Rehabilitation Project, which is approximately 90 percent complete. Mr. Peterson said the contractor estimates that the CIPP will be completed by the end of September, and the point repairs will be completed by the end of November.

Mr. Peterson 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 they are addressing the comments and will be resubmitting the drawings within the next month. He stated that the metes and bounds descriptions and exhibits for the easements necessary for the water and sanitary sewer extension have been completed and were forwarded to Mr. Dinges and Mr. Wallace to prepare the dedication language and acquisition of the easements.

Mr. Peterson reported that the Draft Reclaimed Water Authorization was received from the TCEQ, and the Engineer's comments will be submitted to the TCEQ within the next week.

Mr. Peterson next reported on the Annual Facilities Inspection, including the electrical inspection of Water Plant No. 1. He said that a meeting will be scheduled with Hays Utility within the next month to review the report. Mr. Peterson informed the Board that they will present the Annual Facilities Inspection Report to the Board at the October meeting.

Mr. Peterson next presented profiles and reports of each of the District's three water wells prepared by GM Services, copies of which are attached hereto as an exhibit. Mr. Peterson reported that all three wells have had a drop in submergence due to the drought. He said that Well No. 2 in the Jasper Aquifer has had the most significant drop, and a further drop in the submergence level could burn up the equipment. Mr. Peterson stated that lowering the pumps will require larger motors which will use more electricity. Mr. Peterson noted that the pipe may have to be upgraded as well. Mr. Peterson reported that the Catahoula Aquifer is deeper, and the TDS would be very high, at least twice as deep. Mr. Peterson said that GM Services needs to retest the wells in one month, and continue monthly thereafter. Mr. Peterson stated that the District will need a contingency plan to rework Well No. 2, and work on the timing to get current information to the Board at the regular meetings. A discussion ensued regarding availability of contractors. Following discussion, upon motion duly made and seconded, the Board voted unanimously to authorize the Engineer and GM Services to proceed as outlined.

Mr. Peterson reported that the TCEQ is renewing the Multi-Sector General Permit ("MSGP") to discharge storm water from wastewater treatment plants with a permitted flow of 1.0 MGD and greater. He said the MSGP was adopted by the TCEQ and put into effect on August 14, 2011. Mr. Peterson reported that they revised the District's Storm Water Pollution Prevention Plan ("SWPPP") to comply with the changes in the new MSGP. The revised SWPPP was executed by the Board. Mr. Peterson noted that the Operator will need instructions on storm water sampling.

Mr. Peterson presented for review and approval by the Board Pay Estimate No. 4 from Insituform Technologies in the amount of \$206,661.15. Mr. Peterson informed the Board that the trash still needs to be removed from the Plant site by the contractor.

Mr. Peterson next reported that they are working on modifications requested by the Operator to the new chlorination/de-chlorination system installed at the Plant.

Mr. Peterson reported that no further action has taken place on the Interlocal Agreement with Harris County for the traffic light at West Rayford Road and Gosling Road, and they are waiting to hear from Harris County.

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

ARBITRAGE REBATE CALCULATIONS

Mr. Wallace presented Arbitrage Compliance Specialists' arbitrage rebate calculations report for the District's Unlimited Tax Bonds, Series 2006, 5th year computation period. He noted that there were no problems and no payments due. He also presented proposals for final reports on the District's Series 1993, Series 1993-A and Series 1998 Bonds. Following discussion, Mr. Wallace agreed to look into other proposals or recommendations for arbitrage services.

ATTORNEY'S REPORT

Mr. Wallace reported that his office was notified by the Harris County Clerk's office that Harris County would not be in a position to offer election equipment and personnel for the May 2012 directors election because of a conflict with the potential run-off in the presidential primary. Mr. Wallace presented two options for the Board to consider:

- (1) Call the election for May 2012 and sign a contract for voting equipment and election services with a private vendor. Only two vendors are approved by the Secretary of State, and only one of these rents equipment (versus selling it). If a contract is signed with Election Systems and Software (Nebraska based company), the District will likely incur some charges before the cancellation date of the election, if no opposing candidates file for a place on the ballot. The overall cost is about five times the cost of Harris County. The District could still cancel the election if it is uncontested.
- (2) Postpone the election until November 2012, which is the same date as the Presidential election. The race would be buried at the bottom of the ballot, but Harris County would run the election. The District would need to adopt an order and file it with the Secretary of State's office.

After discussion, the Board determined that it prefers to enter an election equipment agreement with the vendor and hold the election in May 2012.

GENERAL MANAGER'S REPORT

Mr. Sheffield reported that he is obtaining bids to remove the 54 dead trees in the District. Mr. Sheffield next reported that options for the West Park Pump are being considered. Mr. Sheffield also reported that items are being requested for the newsletter.

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

(SEAL)

Secretary, Board of Directors