

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

September 15, 2014

THE STATE OF TEXAS §
 §
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 15th day of September, 2014, 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
Roger A. Flood, III	Treasurer

All members of the Board 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. Don Hays and Mr. Robb Clark of Hays Utility South Corporation, the District's Operator; Mr. Joshua Lee, P.E. of Jones & Carter, Inc., the District's Engineers; Ms. Jan Bartholomew of RBC Capital Markets, the District's Financial Advisor; Mr. Xavier Gonzalez and Mr. Rudy Gonzalez, residents of the District; Mr. Jerry Hlozek, with DR Horton, a developer in the District; Constable Bill Landers of the Harris County Constables Office, Precinct 4; and Mr. John R. Wallace of Bacon & Wallace, L.L.P., the District's Attorney.

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

Life Scout Xavier Gonzalez led the meeting in the Pledge of Allegiance. Director Thomas gave the invocation.

GUESTS

The Board welcomed Constable Bill Landers, the District's new contract Constable.

COMMENTS

There were no comments from the public.

APPROVAL OF MINUTES

Minutes of the meetings of the Board of Directors of August 4, 2014 and August 18, 2014 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve these minutes as presented, with Director Flood abstaining.

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 stated 98.83% of the 2013 tax levy had been collected as of August 31, 2014. She noted the District's Total Taxes Receivable is \$59,927.13. Ms. Flores informed the Board the anticipated Assessed Value for 2014 is \$385,033,049.

Ms. Flores next presented the Payment Card Industry Self-Assessment Questionnaire for credit card compliance. She noted that a 3.25% credit card processing fee will be charged. Upon motion duly made and seconded, the Board voted unanimously to approve the Questionnaire as presented.

Ms. Flores reported there are fourteen Defined Area accounts for 2013, five of which have been certified by the Harris County Appraisal District ("HCAD"). She noted HCAD promised the other accounts would be certified by the end of September 2014. Ms. Flores stated three accounts were certified in 2014. She informed the Board she will continue to follow up with HCAD.

Upon motion duly made and seconded, the Board voted unanimously to approve the Tax Assessor/Collector's Report as presented.

2014 TAX RATE RECOMMENDATION

Jan Bartholomew presented and reviewed with the Board the Financial Advisor's 2014 tax rate recommendation, a copy of which is attached hereto as an exhibit. Ms. Bartholomew stated HCAD recently certified the 2014 value for the District at \$335,525,216, with an additional \$49,507,833 remaining uncertified. She stated the net taxable value of \$385,033,049 reflects a 13.53% increase in value. Ms. Bartholomew reported the District's value was certified last year at \$339,153,246, and the Board of Directors levied a total tax rate of \$0.61 per \$100 of assessed valuation. She noted the tax rate was comprised of a maintenance tax rate of \$0.25 per \$100 of assessed valuation and a debt service rate of \$0.36 per \$100 of assessed valuation. She then reviewed the cash flow analysis based upon the recommended debt service tax rate. Ms.

Bartholomew recommended maintaining the Defined Area tax rate at \$0.64 per \$100 of assessed valuation for maintenance tax purposes. She stated the District should consider levying a 2014 total tax rate of \$0.61 per \$100 of assessed valuation, comprised of a maintenance and operating tax rate of \$0.25 per \$100 of assessed valuation, and a debt service tax rate of \$0.36 per \$100 of assessed valuation. Ms. Bartholomew stated the cash flow analysis assumes no growth in the District and \$4.46 million of new bonds. She noted the effective tax rate is \$0.5946, which could put the District in a rollback situation. Ms. Bartholomew stated the District will be required to report a tax increase of approximately 10%. She informed the Board the value of the average home in the District in 2013 was \$209,000, and the average home in the District is valued at \$231,000 in 2014. Ms. Bartholomew noted \$943,311 will be generated in maintenance and operating revenue. She stated the District still has under six months of operating reserve, which will be important to the bond rating, so the revenue should be deposited in the Operating Fund.

Upon motion duly made and seconded, the Board voted unanimously to authorize publication of a Notice of Public Hearing on the District's 2014 Tax Rate based on a 2014 total District tax rate of \$0.61 per \$100 of assessed valuation, comprised of a maintenance and operating tax rate of \$0.25 per \$100 of assessed valuation, and a debt service tax rate of \$0.36 per \$100 of assessed valuation, and a 2014 Defined Area maintenance tax rate at \$0.64 per \$100 of assessed valuation.

Mr. Hlozek departed the meeting at this time.

BOOKKEEPER'S REPORT

Cindy Schmidt presented the Bookkeeper's Report and Investment Report, copies of which are attached hereto as exhibits. Ms. Schmidt presented the back up and reconciliation for draws on the Letters of Credit and developer's deposits to fund the Wastewater Treatment Plant ("WTP") expansion project. Upon motion duly made and seconded, the Board voted unanimously to approve the proposed draws on the Letters of Credit.

Ms. Schmidt stated the Investment Officer is currently the District's Bookkeeper, and she has completed the mandatory training required every two years. She noted Director Flood is also interested in the position of Investment Officer. Upon motion duly made and seconded, the Board voted unanimously to appoint Director Flood as the District's Investment Officer. It was noted the Bookkeeper will also continue to serve as the District's Investment Officer as well.

Ms. Schmidt informed the Board the Bond Anticipation Note ("BAN") proceeds were deposited into the Capital Projects Fund, then \$2,595,000 was transferred to the WTP Expansion Fund. She noted the developer deposit delinquencies in the Frenchak and Trammel Crow accounts, and stated demands on these accounts had been sent by Mr. Wallace.

Upon motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's Report, 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 stated the District's water accountability was 97% during the prior month, and the WTP was within compliance. Mr. Hays noted the Operator is adding a column on the report for multi-family accounts.

Mr. Clark reported 56 new taps have been completed for the year. He then presented and reviewed the list of uncollectible accounts, and recommended the accounts be written off. A discussion ensued among the Board regarding customer deposits and whether they are adequate. It was noted new rates were set last December. Mr. Clark stated the Operator will review the deposit rates and charges under the current Rate Order, and make recommendations at the District's next meeting. Upon motion duly made and seconded, the Board voted unanimously to authorize the Operator to review the District's deposit rates and charges under the current Rate Order and make recommendations to the Board.

Mr. Clark next reviewed the status of temporary water meters in the District. He noted the Trammell Crow meter has been removed. Mr. Clark reported the Klein Independent School District ("KISD") school site meter is on their property on a 2-inch temporary line. He noted the Operator does not have a problem with this. Mr. Clark stated Source Point completed the sewer line smoke testing, and several small items were addressed. He informed the Board the Engineer will evaluate the data. Mr. Clark reported CenterPoint Energy is installing a new gas line near the WTP, and the Operator will monitor this installation. He stated the Engineer is working to confirm the District's easements along Dovershire are honored. Mr. Clark informed the Board the District's lines are approximately 20-feet deep and are located in the street right-of-way.

Mr. Clark reported the bleach tank is beginning to leak, so the Operator will look at replacements. He stated the odor at the WTP was due to the sludge haulers, and the Operator has turned the digester back on.

Upon motion duly made and seconded, the Board voted unanimously to approve the Operator's Report as presented.

ENGINEER'S REPORT

Joshua Lee presented the Engineer's Report, a copy of which is attached hereto as an exhibit. Mr. Lee reported the Water Plant No. 2 hydropneumatic tank ("hydrotank") project will be funded with the BAN proceeds. He noted the District will reach 3200 water connections with the completion of this project. Mr. Lee informed the Board bids were received for the hydrotank project, a copy of which is attached hereto as an exhibit. He stated the cost estimate for the project is \$206,000, and the low bid was received from Tar Tob Commercial Services, LLC in the amount of \$195,000. Mr. Lee recommended the District award the contract to Tar Tob Commercial Services, LLC. Upon motion duly made and seconded, the Board voted unanimously to approve and award the contract to Tar Tob Commercial Services, LLC, subject to Attorney's review.

Mr. Lee reported the pre-construction meeting with Liftwater Construction, Inc. for the Wastewater Treatment Plant No. 2, Phase 1 project, was held on August 28, 2014. He expects construction to begin in about three weeks. He next informed the Board that the contractor, Randy Roan Construction, Inc., completed the Detention and Mitigation Ponds to serve the Northampton Wastewater Treatment Plant No. 2 project. Mr. Lee stated the final inspection was held on Monday, August 4, 2014, and the contractor is addressing the remaining punch list items.

Mr. Lee reported the Engineer contacted Harris County MUD No. 1's Engineer regarding the waterline interconnect project. Mr. Lee stated he expects the engineer to attend the final inspection.

Mr. Lee presented and reviewed Pay Estimate No. 2 and Final from Weisinger Incorporated in the amount of \$19,741.70 for the Water Well No. 3 Rework Project. Upon motion duly made and seconded, the Board voted unanimously to approve the pay estimate as presented. Mr. Lee requested authority to advertise for bids for paving in Hampton Creek Sections Four and Five. Upon motion duly made and seconded, the Board voted unanimously to authorize the Engineer to advertise for bids for paving in Hampton Creek Sections Four and Five.

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

RECREATIONAL FACILITIES

John Wallace presented a draft letter to Oakmont Public Utility District ("Oakmont") stating the District's intention to renegotiate the recreational facilities management agreement. Upon motion duly made and seconded, the Board voted unanimously to authorize the Attorney to send the letter to Oakmont.

Director Black reported he met with Mr. Sheffield regarding the master recreational plan. He stated the success of the plan depends on the District getting access to the detention ponds and acreage east of Gosling Road. Director Black informed the Board he met with Jerry Hlozek before the meeting, and Mr. Hlozek is agreeable to discussing the master recreational plan. He stated it makes sense to authorize the Detention Pond Maintenance Agreement to give the District the right to build trails, ball fields and other facilities. Mr. Wallace reviewed the development map of Hampton Creek and the cost summary of the proposed detention maintenance costs. A copy of the proposed detention maintenance costs summary is attached hereto as an exhibit. Mr. Wallace stated the maintenance costs will be approximately \$15,580 in 2015, and the 2016 costs will be approximately \$23,580. He noted there will be eight ponds altogether, with annual maintenance costs of approximately \$40,000. Mr. Wallace informed the Board the maintenance and operating taxes will be \$183,113 going forward, and some ponds will have a wet bottom. He informed the Board the plan is to give the District control over Willow Creek. Mr. Wallace noted the District will need to tie into Harris County Spring Creek Trail. After discussion, upon motion duly made and seconded, the Board voted unanimously to approve the Detention Pond Maintenance Agreement with DR Horton-Texas.

ANNUAL REVIEW OF INVESTMENT POLICY

The Board then reviewed the 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.

ANNEXATION OF 19.8534 ACRES

Mr. Wallace next presented a Petition for Consent to Annex Land and an Order Adding Land Subject to Certain Conditions pertaining to the 19.8534 acre tract. After review and upon motion duly made and seconded, the Board voted unanimously to approve the Petition and the Order, as presented. Copies of these documents will be filed in the District's permanent records.

ATTORNEY'S REPORT

Mr. Wallace reported he is still working on the Water Plant No. 3 site acquisition. He stated he is in contact with Tim Green regarding the amendment to the Oakmont Wastewater Treatment Plant Agreement. Mr. Wallace noted he made some initial contacts regarding the Safe Routes to School grant investigation. He also informed the Board the ~~Gosling~~ Gosling Road Lift Station access easements are being drafted. *Root*

OTHER MATTERS

Director Schneider stated the District will need an aerial photo. Mr. Lee agreed to check on pricing for the aerial photo.

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



Joyce Kelle
Secretary, Board of Directors