

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

October 20, 2014

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 20th day of October, 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, with the exception of Director Thomas, thus constituting a quorum. In the absence of President Thomas, Director Black took the chair and presided over the meeting.

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 and Ms. Stefanie Miller of Hays Utility South Corporation, the District's Operator; Mr. Joshua Lee, P.E. and Ms. Sherry Grant of Jones & Carter, Inc., the District's Engineers; Mr. Ryan Nesmith of RBC Capital Markets, the District's Financial Advisor; Mr. Jerry Hlozek of DR Horton, a Developer in the District; 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

Director Black led the meeting in the Pledge of Allegiance. Director Black then gave the invocation.

COMMENTS

There were no comments from the public.

APPROVAL OF MINUTES

Minutes of the meetings of the Board of Directors of September 8, 2014 and September 15, 2014 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 stated 99.49% of the 2013 tax levy had been collected as of September 30, 2014. She noted 100% of the 2013 tax levy had been collected for the Defined Area accounts. Ms. Flores informed the Board the District's Total Taxes Receivable is \$52,349.05, with approximately \$8,600 being held for potential refunds.

Ms. Flores reported the value for the 2013 Defined Area accounts is \$7 million, and the taxes due by the end of November 2014 are approximately \$87,500. She stated she will check on the 2014 accounts.

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

PUBLIC HEARING ON 2014 TAX RATE

Esther Flores confirmed that the notice of the public hearing on the District's proposed tax rate for 2014 was published in the *Houston Chronicle*. She stated the Defined Area version of the notice was mailed. A copy of the publisher's Affidavit is attached hereto as an exhibit. Ryan Nesmith recommended maintaining the Defined Area tax rate at \$0.64 per \$100 of assessed valuation for maintenance tax purposes. He 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. Director Nelsen stated she attended an open house at Hampton on the Lake, and they are giving out incorrect information on the tax rate in the District. Mr. Hlozek agreed to address the issue.

Following discussion, upon motion duly made and seconded, the Board voted unanimously to adopt an Order Setting 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. A copy of the Order is attached hereto as an exhibit. The Board then reviewed the Amendment to Information Form. Upon motion duly made and seconded, the Board voted unanimously to approve the Amendment to Information Form as presented. Mr. Wallace was authorized to file

same with the Texas Commission on Environmental Quality (the "TCEQ") and in the Harris County Real Property Records.

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 reconciliation for draws on the Letters of Credit ("LOC") and developer's deposits to fund the Wastewater Treatment Plant ("WTP") expansion project. A summary of the payments are attached hereto as an exhibit. Mr. Wallace reported BLD Gosling wants to pay in cash. Mr. Wallace stated Mr. Frenchak's bank, Allegiance Bank, wants to replace the LOC's each time they pay a draw. He noted the District will resist letting the bank do that. Mr. Wallace then presented three Orders Adopting Pay Estimate or Other Invoice and Authorizing Draw on Letter of Credit. Upon motion duly made and seconded, the Board voted unanimously to approve the three Orders Approving Pay Estimate or Other Invoice and Authorizing Draw on Letter of Credit. A copy of the Orders are attached hereto as an exhibit.

Ms. Schmidt next reviewed the District's six month operating reserves. She informed the Board the tap fees and rates were raised, and the District is very dependent on the income from the maintenance tax. Ms. Schmidt reported more water and sewer revenues are increasing. She stated the District is currently at the lowest point in the fiscal year. Ms. Schmidt noted all fund transfers have been concluded, and the current maintenance and operating tax levy for 2014 is \$945,000.

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.

FINANCIAL ADVISOR'S REPORT

Ryan Nesmith presented and reviewed with the Board a potential bond refunding. He informed the Board the District's last refunding was completed in 2012. Mr. Nesmith noted the bonds are callable on March 1, 2015, and the twenty-year Bond Buyer Index is 3.87%. He stated December 11, 2014 is the target closing.

Water Works and Sewer System Unlimited	\$2,865,000
Tax Bonds, Series 2006	
Unlimited Tax Park Bonds, Series 2006	\$1,265,000
	<hr/>
	\$4,130,000

Mr. Nesmith reported there will be no extension of the District's debt and level debt service savings. A summary of the potential refunding is attached hereto as an exhibit. He informed the Board multiple banks will bid on the bonds, which will be privately placed. Mr. Nesmith stated there will be no rating, no printing and no underwriter discount, which will probably save \$40,000 to \$50,000. Mr. Wallace asked what assurance will the District have that it is getting the best deal. Mr. Nesmith stated the District can solicit a same day comparison at the pricing of

similar deals in the open markets. He stated that, based on these factors, he is recommending private placement. Mr. Nesmith noted it is a current refunding, with total estimated savings of \$372,458, and present value savings of approximately 7.13%. He then reviewed the costs of the potential refunding, and stated that the plan is to do the transaction in November 2014 at the regular meeting. A discussion ensued among the Board. Upon motion duly made and seconded, the Board voted unanimously to proceed with the refunding based on private placement or open market.

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 95.5% during the prior month, with no excursions at the WTP. Mr. Clark noted 80 taps had been installed this year. He informed the Board Trammell Crow turned in their temporary meter, but the Dovershire and Klein Independent School District meters are still in the field.

Mr. Clark reported the bleach tank at the WTP has a cracked wall. He noted 500 to 600 gallons of beach is being delivered each week. Mr. Clark reviewed alternate bids to replace the cracked bleach tank with a Napco tank: 1,000 gallon capacity at \$6,200, and 1,550 gallon capacity at \$8,000. Mr. Clark recommended replacing the tank with the 1,000 gallon tank. Upon motion duly made and seconded, the Board voted unanimously to authorize the Operator to proceed with installation of the 1,000 gallon bleach tank.

Mr. Clark next presented and reviewed with the Board a Schedule of deposits for owner and renters in neighboring districts, a copy of which is attached hereto as an exhibit. He informed the Board the District's average bills and minimum bills are somewhat higher than the neighboring districts. Mr. Clark recommended raising deposits, especially for renters, as the current deposits are not covering average bills. He stated the current deposit for owners is \$100, with a \$150 deposit required of renters. Mr. Clark recommended raising the deposits to \$200 and \$300 dollars, respectively. Following discussion, upon motion duly made and seconded, the Board voted unanimously to amend the District's Rate Order to include the revised deposits as outlined.

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") contract was awarded to Tar Tob Commercial Services, LLC with the low bid of \$195,000. He presented contracts for the construction of the Water Plant No. 2 Hydropneumatic Tank Addition project for approval and execution. Upon motion duly made and seconded, the Board voted unanimously to approve the contract with Tar Tob Commercial Services, LLC for the construction of the Water Plant No. 2 Hydropneumatic Tank Addition project and to authorize execution of same.

Mr. Lee informed the Board the pre-construction meeting for the Wastewater Treatment Plant No. 2 – Phase 1 project was held on Thursday, August 28, 2014. He stated the construction start date was September 7, 2014, and the Engineer expects the contractor, Liftwater Construction, Inc., to mobilize next week.

Mr. Lee then reported the contractor, Randy Roan Construction, Inc., completed the Detention and Mitigation Ponds to serve the Northampton Wastewater Treatment Plan No. 2 project. He stated the final inspection was held on August 4, 2014, and the contractor is addressing the remaining punch-list items. Director Black stated he recalls plans to include construction of a maintenance building at the WTP site. He noted the building could be concrete masonry or a steel structure, which would be approximately 50% less expensive. Director Black stated the District needs to obtain pricing on both options. He noted Mr. Sheffield could handle the project after the Plant construction is complete, or Liftwater Construction, Inc. could provide a bid. After discussion, the Board determined they want to proceed with construction of the maintenance building at the WTP site, and they will request a proposal from Liftwater Construction, Inc.

Mr. Lee next presented a summary of options for pricing to update the aerial photograph of the District, a copy of which is attached hereto as an exhibit. After discussion, the Board voted unanimously to approve Option 2 for the updated aerial photograph of the District in the amount of \$3,700.

Mr. Lee reported the Engineer took a preliminary look at the pedestrian bridges over M-100 and M-103. He informed the Board he is working on a cost estimate. Mr. Lee noted the Engineer reached out to Pamela Rocchi with Harris County Precinct 4 to determine if a pedestrian walkway is included in the contract for the expansion of Gosling Road over Willow Creek.

Mr. Lee presented and reviewed Pay Estimate No. 1 from Randy Roan Construction, Inc. in the amount of \$331,329.12 for the Detention and Mitigation Ponds to serve Northampton Wastewater Treatment Plant No. 2. He then presented and reviewed Pay Estimate No. 4 and Final from Principal Services, Ltd. in the amount of \$26,045.72 for Hampton Creek Section One & Two Water, Sanitary, Drainage and Detention Facilities. He also presented Change Order No. 1 in the amount of \$13,925.00 for providing dewatering measures for installation of the detention pond outfall and installing an inlet with submerged outfall pipe at the existing mitigation pond. Upon motion duly made and seconded, the Board voted unanimously to approve the pay estimates and change order as presented.

Mr. Lee next presented and reviewed with the Board a summary of the active construction projects in the District. He also presented an updated Developer Summary Map. He informed the Board the CST Corner Store is in the process of annexation.

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

DEVELOPER REPORTS

Jerry Hlozek reported 120 lots are on the ground and 68 homes have been constructed in Hampton Creek. He noted they have made 16 sales, with an uptick in sales during the last two weeks. Mr. Hlozek informed the Board Sections 3, 4 and 5 are under construction, with paving to begin in thirty days. He reported the 50 foot product is selling for \$232,000 to \$294,000, and the 60 foot product is selling for \$275,000 to \$353,000.

LIFT STATION AND ACCESS ROAD EASEMENT

Mr. Wallace presented and reviewed with the Board a Lift Station Access Easement from Umetia, Inc. conveying an unobstructed easement and right-of-way in and to that certain 0.0359 acre tract of land from Umetia, Inc. to the District. Upon motion duly made and seconded, the Board voted unanimously to approve the easement as presented, and to authorize execution of the easement regarding same.

Mr. Wallace then presented and reviewed with the Board a Lift Station Easement from Umetia, Inc. conveying an exclusive lift station easement to that certain 134 square feet tract of land from Umetia, Inc. to the District. Upon motion duly made and seconded, the Board voted unanimously to approve the easement as presented, and to authorize execution of the easement regarding same.

ANNEXATION LETTER AGREEMENT

Mr. Wallace next presented an Annexation Letter Agreement pertaining to the 2.942 acre tract from Big Diamond, LLC. After review and upon motion duly made and seconded, the Board voted unanimously to approve the Annexation Letter Agreement as presented. A copy of the Annexation Letter Agreement is attached hereto as an exhibit.

EXTENSION OF UTILITY CAPACITY COMMITMENT

Mr. Wallace presented a request for extension of the Utility Capacity Commitment from The Church of Jesus Christ of Latter-Day Saints. Upon motion duly made and seconded, the Board voted unanimously to approve extension of the Utility Capacity Commitment until October 31, 2015.

AMENDED AND RESTATED INVESTMENT POLICY

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

ATTORNEY'S REPORT

Mr. Wallace reported he is still working on the Water Plant No. 3 site acquisition. He noted he needs an exhibit from Jones & Carter to complete the Wastewater Treatment Plant Amended Agreement. Mr. Wallace reported the Inway Oaks annexation hit a snag. It was disclosed there are actually two property owners and the attorney is having to repaper the transaction.

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




Secretary, Board of Directors