

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

April 20, 2015

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 April, 2015, 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	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. Robb Clark and Ms. Stefanie Miller of Hays Utility South Corporation, the District’s Operator; Mr. Joshua Lee, P.E., Ms. Sherry Grant and Mr. Eric Morse of Jones & Carter, Inc., the District’s Engineers; Ms. Debbie Gibson of McCall Gibson Swedlund Barfoot PLLC, the District’s Auditor; Mr. Jim Sheffield, the District’s General Manager; 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 Thomas led the meeting in the Pledge of Allegiance. Director Thomas then gave the invocation.

COMMENTS

A resident informed the Board a neighbor was adding on to their home, and the addition is very close to their fence. The Board determined that this was a deed restriction problem and referred the resident to Chaparral Management.

APPROVAL OF MINUTES

Minutes of the meetings of the Board of Directors of March 2, 2015 and March 16, 2015 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve the March 2, 2015 and March 16, 2015 minutes as presented.

ANNEXATION REQUEST

Eric Morse introduced himself and stated he is representing Jorge Canavati and his company, El Castano LLC, regarding development of a 23-acre tract near the Valero tract in the District. Mr. Morse presented a handout regarding the proposed development, a copy of which is attached hereto as an exhibit. Mr. Morse informed the Board Mr. Canavati is seeking a feasibility study for annexation of the tract located east of Gosling Road for a proposed hotel, stables and five estate homes. He stated the hotel will consist of 66 guest rooms, an event hall and restaurant, paddocks, an equestrian club house and two arenas. Mr. Morse noted two amenity/detention areas are also planned, and the property will connect with the Spring Creek greenway, with an estimated total value of \$14 million. He stated Mr. Canavati is prepared to deposit \$15,000 for the feasibility study and annexation. After discussion, upon motion duly made and seconded, the Board voted unanimously to enter into an annexation letter agreement with Mr. Canavati, and to authorize the Engineer to commence work on the feasibility study.

A discussion ensued among the Board regarding a potential developer reimbursement. Mr. Wallace recommended that the District not require developers going forward to finance further Wastewater Treatment Plant ("WTP") capacity, since the District has already financed the share of available WTP capacity. Josh Lee concurred with Mr. Wallace.

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 informed the Board the District has collected 97.08% of the 2014 tax levy as of March 31, 2015, and 100% of the 2014 Defined Area tax levy as of March 31, 2015. She stated \$20,000 was transferred to the Debt Service Fund, and \$16,000 was transferred to the Operating Fund. Ms. Flores noted the District's current taxes receivable are \$108,241.

Ms. Flores informed the Board the Harris County Appraisal District revised the estimated value of the Trammell Crow development, the Alexan Apartments, to \$23,792,953, from its former estimate of approximately \$8.5 million as of December 1, 2014.

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

BOOKKEEPER'S REPORT

Cindy Schmidt presented the Bookkeeper's Report and Investment Report, copies of which are attached hereto as exhibits. She reported the proceeds from the Series 2015 bond sale paid off the Bond Anticipation Note, as well as the bond insurance expenses. Ms. Schmidt informed the Board \$1,007,507 was placed in the Construction Fund, which currently shows anticipated surplus funds of \$958,856. She noted a Letter of Credit draw was made from Allegiance Bank and one payment from BLD Gosling. Upon motion duly made and seconded, the Board voted unanimously to approve the pay estimates as presented, and to authorize the draw on the Letters of Credit.

Ms. Schmidt next presented and reviewed the first three months of the Year-to-Date Budget, a copy of which is attached hereto as an exhibit.

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 informed the Board the District's water accountability was 95% in March 2015, and the WTP operated within compliance. He next reported that two taps were installed in March. Mr. Clark then presented and reviewed with the Board the draft of the 2014 Consumer Confidence Report for review and comment.

A discussion ensued among the Board regarding arsenic levels in the water from Water Well No. 3. Stefanie Miller noted the last test was performed in October 2011, and no arsenic was detected. Director Black stated a small amount of arsenic has been detected, so the Board needs to look into this. He added that Well No. 3 should be resampled now to confirm the lab test results and retested in six months.

Mr. Clark reported the Gosling Express manhole was finally installed, and the problem was that there was not enough stabilized sand. He informed the Board a grease trap inspection was also performed. Mr. Clark stated he is working with the hydrotank contractor, who has replaced two 12-inch valves due to leaking, and some other items are being addressed.

Upon motion duly made and seconded, the Board voted unanimously to approve the Operator's Report and termination of the delinquent accounts.

CLOSING OF \$4,460,000 UNLIMITED TAX BONDS, SERIES 2015

Mr. Wallace reported the transaction closed smoothly, and the Bond Anticipation Note (“BAN”) to Regions Bank was paid off. He stated the Bookkeeper’s report accounts for the funds coming into the District’s accounts. Mr. Wallace informed the Board he is working with Mr. Lee and Ms. Bartholomew to determine priorities for the District’s next bond issue, which will probably be funding for Water Plant No. 3. He noted developer reimbursements and the Defined Area will be deferred until more development occurs.

AUDIT REPORT

Debbie Gibson presented for Board review and approval a draft of the District’s Audit Report for the fiscal year ended December 31, 2014. Ms. Gibson reported that no significant problems were found, and she provided an unqualified opinion on the District’s financial position. She then presented the Management Discussion and Analysis letter, and noted there were no issues. Ms. Gibson stated the BAN was added to the Balance Sheet and counted as a liability to the Capital Project Fund. She stated the negative position is explained in a footnote. Ms. Gibson informed the Board the end of year fund balances are higher than the last several years, and the debt service reserves are adequate. Following discussion, upon motion duly made and seconded, the Board voted unanimously to approve and authorize filing of the Audit Report for the fiscal year ended December 31, 2014. A copy of the final Audit Report for 2014 will be included in the District’s permanent records.

ENGINEER’S REPORT

Joshua Lee presented the Engineer’s Report, a copy of which is attached hereto as an exhibit. He reported the contractor, Tar Tob Commercial Services, LLC, removed the existing fence and set up temporary fencing at Water Plant No. 2 for the hydrotank addition. He noted the supports should be poured and the tank installed next week. Mr. Lee next presented a Pay Estimate No. 2 in the amount of \$10,800.00 to Tar Tob Commercial Services, LLC for the Water Plant No. 2 hydropneumatic tank addition. Upon motion duly made and seconded, the Board voted unanimously to approve the pay estimate as presented.

Mr. Lee reported the Use of Surplus Funds application was prepared to reallocate funds for the Water Plant No. 3 land cost, as well as a portion of the engineering design fees, including an elevated storage tank. He stated the Bookkeeper identified additional surplus funds are available from Bond Issue No. 14 to include in the Surplus Funds Application (the “Application”). Mr. Lee noted the Application will be submitted to the Texas Commission on Environmental Quality (“TCEQ”) under a 60-day expedited review. Upon motion duly made and seconded, the Board voted unanimously to approve the Resolution Authorizing Application to the TCEQ for Use of Surplus Funds.

Mr. Lee then reported the contractor, Liftwater Construction, Inc. continued work on the Wastewater Treatment Plant No. 2, Phase 1 project. He noted the contractor is behind schedule and has added additional crews to the project to catch up on the schedule. Mr. Lee presented and

reviewed with the Board Pay Estimate No. 4 in the amount of \$220,596.77. Upon motion duly made and seconded, the Board voted unanimously to approve the pay estimate as presented.

Mr. Lee next reported the Engineer approved the plans for the proposed Atlas-Texas Development, the Shops at Gosling, and provided an approval letter. He then presented Pay Estimate No. 3 in the amount of \$16,862.50 to Lonnie Lischka Company, LP, for Water, Sanitary and Drainage facilities in Hampton Creek Sections 4 and 5.

Mr. Lee stated the second part of the 4C Construction contract in Hampton Creek Section 3 was given to another contractor, and the Notice of Termination was given by D.R. Horton. He reported 4C Construction is back at work on the project trying to correct some manhole elevations. Mr. Lee noted the bonding company has been notified.

Mr. Lee reported on the status of contractor complaints against Buffington Capital, developer of Dovershire Place. Mr. Lee reported they are renegotiating their financing, and this has delayed the project and payments to the contractors. He informed the Board a demand was received in the amount of \$54,470.54 by Monarch Construction for Water, Sanitary and Drainage facilities in Section 1. Mr. Lee noted he will review the demand.

Mr. Lee next reported D.R. Horton-Texas, Ltd. received seven bids for the clearing and grubbing in Hampton Creek Phase IV, with a low bid of \$141,415.00 from K&K Tree and Tractor Service. He noted D.R. Horton plans to award the contract to K&K Tree and Tractor Service. Upon motion duly made and seconded, the Board voted unanimously to approve D.R. Horton's award of the contract.

Mr. Lee stated he informed D.R. Horton of the District's desire to increase the size of the lift station wet well from 6-foot diameter to 8-foot diameter. He noted D.R. Horton requested the District share the cost, and they are agreeable to expansion of the lift station wet well.

Mr. Lee then reported the annual inspection of the District's facilities is scheduled for May 2015, and the results will be presented for review at the June 2015 recreational meeting. He stated the Board should consider an amendment to its agreement with Encanto Real to raise the water rates.

With respect to the water well approval letters and TCEQ Notice of Violation, Mr. Lee informed the Board the stakeholders meeting with the TCEQ is coming up. He said the Engineer is still monitoring the Drinking Water Advisory Work Group scheduled to meet on Tuesday April 28, 2015.

Mr. Lee then reviewed the status of active development in the District and an updated spreadsheet of ongoing construction projects, a copy of which is attached hereto as an exhibit. Upon motion duly made and seconded, the Board voted unanimously to approve the Engineer's report as presented.

GENERAL MANAGER'S REPORT

Jim Sheffield reported the neighborhood Crawfish Boil is scheduled for May 3, 2015. He informed the Board the Recreation Committee met, and will work on finalizing a number for the escrow release. Mr. Sheffield stated he needs help on the parking lot and irrigation projects at Inway.

Mr. Sheffield noted a violation was received from Harris County constable on the substation, which will be vacated in four to six months. He noted the lease expires in 2016. Mr. Wallace recommended the Board get this in writing from them.

ATTORNEY'S REPORT

Mr. Wallace informed the Board he is still working with the title company on acquisition of the Water Plant No. 3 site. He stated a Release of Easement is needed for the D.R. Horton project. He said it was requested by CenterPoint to release the rights to the public. Mr. Wallace noted he had no update on the two pending annexations.

Upon motion duly made and seconded, the Board voted unanimously to approve the Release of Easement.

OTHER BUSINESS

Director Flood noted he wants to join in the discussion regarding bond issues.

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

Secretary, Board of Directors

(SEAL)