

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

September 21, 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 21st day of September, 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
Bob Dowies	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. Robb Clark of Hays Utility South Corporation, the District's Operator; Mr. Joshua Lee, P.E. and Ms. Sherry Grant, E.I.T. of Jones & Carter, Inc., the District's Engineer; Mr. Jim Sheffield, the District's General Manager; Ms. Jan Bartholomew of Robert W. Baird & Co., the District's Financial Advisor; Mr. Mark Hardy of D.R. Horton, a developer in the District; Mr. Ron Walkoviak, Mr. Gregg McGaha, and Mr. Chris Lemming of Partners in Building, a developer in the District; Ms. Teresa Sims, Mr. Olan Nelson, Mr. John Guillochon and Ms. Evelyn Guillochon, residents of 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 Thomas led the meeting in the Pledge of Allegiance. Director Thomas then gave the invocation.

PUBLIC COMMENTS

Olan Nelson, a resident of the District, addressed the Board concerning his recent water bills from the District. A copy of Mr. Nelson's correspondence to the District and copies of his recent water bills are attached hereto as exhibits. Mr. Nelson explained that his monthly bill from the District averages about \$100.00, with typical usage of 12,000 to 16,000 gallons per month. Since no leaks have been found and there is no explanation for the substantial increase in usage, Mr. Nelson requested the Board to authorize a credit on his account with the District. Mr. Clark noted that an irrigation leak was discovered at Mr. Nelson's residence. Mr. Nelson responded that his sprinkler system had been turned off for three weeks and just recently repaired. Mr. Clark said Mr. Nelson's usage has returned to normal. He noted that 27,000 gallons were used during the last cycle, and this would indicate that the meter is functioning properly. Mr. Nelson reiterated that his irrigation system was turned off during this time, and the leak was promptly repaired. He added that if the sprinkler head was broken, it would not leak much; therefore, he could not have used that much water. Mr. Nelson stated further that his water meter continued to run after the plumber turned off all the water in the home. Director Dowies noted that there could be a leak in the water line between the meter and the house, and it appears the plumber did not do a good job in determining the source of the leak. The Board directed the Operator to continue to work with Mr. Nelson on this issue.

John Guillochon, a resident of the District, informed the Board that he has experienced the same problem as Mr. Nelson. He said his meter showed usage of 66,000 gallons, and no leaks were found. He reported that a call was placed to the Operator about two weeks ago, but there has been no response. Mr. Clark said a work order to test the meter at 24103 Forestcrest Drive has been prepared and is on the Operator's schedule. Mr. Clark also observed that water consumption in the District had tripled during the last 33-day cycle, with no rainfall and 100° temperatures.

Gregg McGaha then addressed the Board concerning the irrigation bill for Partners in Building. He said the average usage has been about 143,000 gallons per month, but a recent bill showed usage of 1,425,000 gallons. Mr. McGaha said a re-read was performed, and the following month's usage was 319,000 gallons. He said two \$500.00 payments have been made, and he requested that the Board authorize some relief for the excessive bill. He also noted that no leaks were detected.

Jim Sheffield explained that under the current Rate Order higher rates are charged for high water usage. He said the Board could authorize adjustments to avoid the punitive rates. Mr. Sheffield noted that the District office has received about a dozen calls on this topic. Following discussion, the Board directed Mr. Clark to recalculate the customers' bills based on the lowest marginal rate. Mr. Clark noted that Partners in Building is already billed as an irrigation account at the lowest marginal rate of \$1.50 per 1,000 gallons. Mr. Sheffield and Mr. Clark agreed to work on this issue and provide recommendations to the Board.

APPROVAL OF MINUTES

Minutes of the meetings of the Board of Directors of August 3, 2015, and August 17, 2015, and September 8, 2015 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve such minutes as amended.

COMMUNITY EMERGENCY RESPONSE TEAM

Teresa Sims, a resident of the District, addressed the Board concerning the formation of a Community Emergency Response Team (CERT). She said the neighborhood emergency response teams are organized to perform search and rescue missions and include CPR training in some cases. Ms. Sims noted that there are 10 adults and 5 college students in the neighborhood that have been trained, and the group is trying to obtain more exposure. She added that the District's office building is being used for meetings, including a hurricane workshop that was conducted in August. Ms. Sims agreed to work with Mr. Sheffield to coordinate the CERT's efforts.

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 collected 99.10% of the 2014 tax levy as of August 31, 2015. Ms. Flores also presented the Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached hereto as an exhibit. She also presented for the Board's review and approval certain credit card compliance documents. Upon motion duly made and seconded, the Board voted unanimously to approve the Tax Assessor/Collector's Report as presented, the credit card compliance documents, and payment of the checks presented for approval.

A discussion ensued regarding the pending bond application and the need for Certified Estimates of Value from the Harris County Appraisal District for the Defined Area and the entire District. The Board directed that this item be included on the next recreational meeting agenda.

BOOKKEEPER'S REPORT

Cindy Schmidt presented the Bookkeeper's Report, the year-to-date budget, and the Investment Report, copies of which are attached hereto as exhibits. Ms. Schmidt reported that BLD Gosling is behind on its payments for the Wastewater Treatment Plant ("WTP") expansion project, and they are aware of the problem with the draw.

Upon motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's 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. He reported that the District's water accountability rate was 93.41% for the previous

month. Mr. Clark reported that the Operator is working on a solution for the problems with arsenic in the water samples. Director Black said he reviewed the data sheets for Water Well No. 3 and the Ground Storage Tanks in two locations which show the levels in parts per billion. He added that further sampling of the water wells is not worthwhile, since the problem is intermittent. He recommended sampling the Ground Storage Tanks at both Water Plants on a quarterly basis.

Mr. Clark then reported the new meter has been installed on the District's interconnect with Encanto Real Utility District. He noted that there has been no usage in the last two months.

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

FINANCIAL ADVISOR'S REPORT

Jan Bartholomew presented the Financial Advisor's report. She reviewed with the Board a cash flow study including the proposed \$5,250,000 bond application for Water Plant No. 3 and elevated storage. Ms. Bartholomew reported that she reviewed the development projection summary, prepared by the District's Engineer, showing 9 months to design the project and 14 months for construction. She commented that development in the area has slowed, including construction of the second phase of the Waterford Springs Apartments, which has been deferred for at least two years. Ms. Bartholomew reported that the D.R. Horton, Trammell Crow and Waterford Springs developments have added taxable value to the District, and the Engineer should proceed with the design of Water Plant No. 3, but she recommended that the District defer the sale of bonds for this project. With respect to the WTP capacity shares, Ms. Bartholomew said an analysis will be prepared to reimburse the three developers who have placed taxable value on the ground.

Ms. Bartholomew then reviewed the cash flow analysis for the proposed \$5,250,000 bond application, a copy of which is attached hereto as an exhibit. Ms. Bartholomew said she will need to review the certified taxable values for the District as of October 1, 2015. She noted that the proposed bond issue works at the District's current debt service tax rate of \$0.36. She added that it will be necessary to determine how much value the District has to support the WTP reimbursements.

Ms. Bartholomew next addressed a possible bond application for the Defined Area of the District. She noted that values for the Hampton Creek development increased from \$28,443,000 in January 2015 to approximately \$72,000,000 in June 2015. She added that these values would clearly support a bond issue. Ms. Bartholomew reported that the Goggans/BLD, Partners in Building, and Inway Oaks developments are all behind on construction projections. Ms. Bartholomew said she would attend the Board meeting next month to discuss these matters further, once the certified values are in hand.

Mark Hardy, Land Development Manager for D.R. Horton, stated that he would like to assist in the process but wanted to formally request that the Board authorize the process for the

Defined Area bond issue and reimbursement for the integrated facilities (WTP capacity shares), which the Board acknowledged.

TAX RATE RECOMMENDATION

Ms. Bartholomew presented the Financial Advisor's 2015 tax rate recommendation for the District, a copy of which is attached hereto as an exhibit. Ms. Bartholomew recommended maintaining the Defined Area tax rate at \$0.64 per \$100 of assessed valuation for maintenance tax purposes. She also recommended that the District levy a 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 that the District is still trying to build up the Operating Fund. She noted that the cash flow analysis assumes no growth in the District after June 1, 2015, and no new debt is included in the analysis. She also informed the Board that the proposed tax rate will exceed the rollback rate of \$0.599 and represent a \$147.00 increase to the average homeowner, or about 10%. Ms. Bartholomew recommended that the District's tax rates remain constant because of the anticipated bond issue and the need to increase the balance in the Operating Fund.

Following discussion, upon motion duly made and seconded, the Board voted unanimously to authorize publication of a Notice of Public Hearing on the District's 2015 Tax Rate based on a total District tax rate of \$0.61 per \$100 of assessed valuation, comprised of a maintenance tax rate of \$0.25 and a debt service tax rate of \$0.36, plus a 2015 maintenance tax rate of \$0.64 per \$100 of assessed valuation for the Defined Area property owners in the District.

ENGINEER'S REPORT

Joshua Lee presented the Engineer's Report, a copy of which is attached hereto as an exhibit. Mr. Lee reported the contractor, Tar Tob Commercial Services, LLC, has completed the hydropneumatic tank addition at Water Plant No. 2, and the tank has been placed into service. He noted that the final inspection was conducted on September 16, 2015, and the contractor is addressing the final inspection punch-list items.

Mr. Lee next reported the contractor, Liftwater Construction, Inc., is still behind schedule on phase one of the Wastewater Treatment Plant No. 2 ("WTP No. 2") expansion project, although additional crews are onsite and have expedited construction. Current work includes application of protective coatings, installation of conduits and piping, stairs, rails and landing pads, and work on the disinfection and MCC buildings. Mr. Lee noted the contract substantial completion date for this project is November 1, 2015, and the final contract completion date is December 1, 2015. He presented for the Board's approval Change Order No. 3 in the amount of \$9,203.57 for work related to the effluent line. Following review, upon motion duly made and seconded, the Board voted unanimously to approve Change Order No. 3 in the amount of \$9,203.57 and Pay Estimate No. 9 in the amount of \$438,988.18 to Liftwater Construction, Inc.

Mr. Lee then presented for the Board's approval Pay Estimate No. 2 and Final – Revised in the amount of \$26,203.38 to Randy Roan Construction, Inc. for work on the detention and mitigation ponds to serve WTP No. 2. Following review, upon motion duly made and seconded,

the Board voted unanimously to approve Pay Estimate No. 2 and Final –Revised in the amount of \$26,203.38.

Mr. Lee next reported on the status of the design and financing for the Water Plant No. 3 project. He informed the Board that approval is expected within the next two weeks on the District's Resolution Authorizing Application for Texas Commission on Environmental Quality Approval of Use of Surplus Funds and Change in Project Scope. Mr. Lee explained that with the elevated storage tank exception, the District is allowed 3,200 equivalent single family connections before a review of the water model is required. He said potential water pressure problems will determine the need for Water Plant No. 3.

Next Mr. Lee reported a meeting was held on September 14, 2015 with representatives of Harris County and Harris County Flood Control District ("HCFCD") regarding the requirements for construction of the pedestrian bridge across Ditch M-103. A copy of the Engineer's proposal for drainage analysis and construction of the pedestrian bridge is attached hereto as an exhibit. Mr. Lee stated that Harris County appears to be more receptive to the bridge idea, and HCFCD has an easement but is not the fee owner. Mr. Lee noted that a drainage impact analysis will be required for the project. Following discussion, upon motion duly made and seconded, the Board voted unanimously to authorize the Engineer to proceed with the studies required for the proposed pedestrian bridge.

Mr. Lee then reported on the status of the water and sanitary sewer extension project to serve the CST Corner Store. He noted that the completion date is September 29, 2015; however, the contractor's progress has been slowed due to wet sand construction problems. He noted that this project will be funded by Big Diamond, LLC.

Mr. Lee then reviewed a request received from Alejandro Ortiz on behalf of Terra-Gosling, LLC regarding an update to the January 19, 2015 feasibility study for the 5.97-acre Aventura Development tract. He explained that the feasibility study will need to be updated to include an additional two acres to the project, as well as updates of the letter agreement and utility commitment. Following review, the Board authorized the Engineer to proceed with the updated feasibility study.

Mr. Lee next reported that seven bids were received for the Excavation, Grading, and Detention Project in Hampton Creek Phase 3. He noted that D. R. Horton-Texas, Ltd. plans to award the contract in the amount of \$2,293,994.50 to Burnside Services, Inc., the low bidder. He noted a portion of the cost for this project is potentially reimbursable by the District.

Mr. Lee also reported five bids were received for the Water, Sanitary, and Drainage Facilities in Hampton Creek Section 4B. He noted that D.R. Horton-Texas, Ltd. awarded the \$145,715.00 contract to Monarch Civil Constructors, LLC, the low bidder. He noted a portion of this project is potentially reimbursable by the District.

Mr. Lee reported the Engineer is waiting on documentation required to begin preparation of two Applications for Change in Scope for the proposed park projects. He also reported that a

meeting is planned on September 21, 2015 to discuss increasing the size of the Hampton Creek Gosling Road Lift Station to serve potential future development south of Willow Creek.

Upon motion duly made and seconded, the Board voted unanimously to approve the Engineer's report, including all pay estimates and change orders as presented.

BOND APPLICATION

The Board deferred consideration of the Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds.

INVESTMENT POLICY REVIEW

Mr. Wallace presented for the Board's review and approval an Order Regarding Annual Review of Rules, Policies and Code of Ethics for the Investment of District Funds. Following 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 which is attached hereto as an exhibit.

ANNEXATION OF BIG DIAMOND LLC 2.942-ACRE TRACT

Mr. Wallace presented for the Board's review and approval a Petition for Addition of Certain Lands and a Petition for Consent to Annex Land, both of which had been executed on behalf of Big Diamond LLC. He noted that the 2.942-acre tract is the site where the new Valero service station will be located. Mr. Wallace also presented and reviewed an Order Annexing Land to the District Subject to Certain Conditions. Following review and discussion, upon motion duly made and seconded, the Board voted unanimously to approve both Petitions and the Order, copies of which are attached hereto as exhibits.

UTILITY COMMITMENT FOR LDS CHURCH

Mr. Wallace reported that The Church of Jesus Christ of Latter-Day Saints has requested an extension of the utility commitment previously approved by the District. The Board tabled discussion regarding this matter.

TENNIS COURTS AT INWAY

Director Black reported that the Auburn Lakes developer would like to construct four new tennis courts in the Inway area of the District. He then reviewed the location for the proposed tennis courts with the Board. Following discussion, upon motion duly made and seconded, the Board voted unanimously to approve the concept and approximate location for the proposed tennis courts project.

HAMPTON CREEK

Director Black proposed that the District grant the Hampton Creek residents full access to all of the District's recreational facilities. Following discussion, upon motion duly made and seconded, the Board voted unanimously to grant the residents of Hampton Creek full access to all recreational facilities in the District.

UNAUTHORIZED VEHICLES ON TRAILS

The Board deferred discussion regarding options to prevent unauthorized vehicles access to the trails at Inway until the next recreational meeting on October 5, 2015.

ATTORNEY'S REPORT

Mr. Wallace agreed to check on the status of the District's Recreational Agreement with Oakmont Public Utility District.

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

Secretary, Board of Directors

(SEAL)