

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

March 21, 2016

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 March, 2016, 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; Mr. John Elder with Acclaim Energy Advisors; 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 Engineers; Mr. Al Peters, an employee of the District; Mr. David Bowman, resident of the Auburn Lakes; Mr. Brian Stewart, President of the Homeowners Association of Auburn Lakes; Tonya Craig, resident of the Auburn Lakes; Camille and Scott Kirkpatrick, residents of the District; and Mr. John 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 FROM THE PUBLIC

David Bowman expressed his concerns to the Board about the possibility of the recreational facility agreement with Oakmont Public Utility District ("Oakmont") ending. He thought the Board should cooperate and give Oakmont more time to reach an informed decision.

Brian Stewart, president of Auburn Lakes Homeowners Association ("HOA") informed the Board that he was not there on behalf of the HOA. He expressed his desire in continuing the relationship with the District and Oakmont on shared events. Mr. Stewart told the Board that the HOA was looking to construct a sandpit volleyball court and soccer field. He then mentioned that he was aware the agreement between Oakmont and the District would end in October 2016.

Director Thomas indicated that the tennis court contract had been fully executed. Mr. Wallace stated he spoke with Mallory Craig and she had not received a response from the tennis club owners. He then noted that Ms. Craig thought the owners would not proceed with the deal.

Tonya Craig asked the Board to consider a merger with Oakmont. She indicated that the reason there were two separate entities were mainly due to the Developers reimbursements. She then noted that the merger would eliminate conflict between Oakmont and the District as well as eliminate some of the District's cost. Ms. Craig also mentioned if Oakmont paid Northampton to use the facilities it would be more palatable to Northampton residents.

APPROVAL OF MINUTES

Minutes of the meetings of the Board of Directors held February 15, 2016, were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve the minutes as amended. The March 7, 2016 minutes were tabled.

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 that 95.35% of the District's 2015 tax levy had been collected. She then indicated that a wire transfer would be made to lower the cash balance. She reported that the District had four personal property delinquent tax write-offs. A discussion ensued among the Board. Upon motion duly made and seconded, the Board voted unanimously to approve the Estimate of Value for the Defined Area and the District as of April 1, 2016.

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

BOOKKEEPER'S REPORT

Cindy Schmidt presented and reviewed the Bookkeeper's Report, the year-to-date budget, and the Investment Report, copies of which are attached hereto as exhibits. Ms. Schmidt

indicated that the Wastewater Treatment Plant (“WTP”) Fund final reconciliation had been tabled. She then stated that Oakmont paid their 2015 true-up management cost.

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. He reported the District’s water accountability rate was 94.54% for the previous month, and there were no violations at the WTP. Mr. Clark reported that the District obtained five new taps last month. He informed the Board that a failure was discovered on the biomonitoring system and the dechlorination system. He then stated that the systems were re-sampled, and the issues were resolved. Mr. Clark said that the Texas Commission on Environmental Quality (“TCEQ”) inspection report outlined concerns regarding the location of the flow meter. He stated that the flow meter had been moved and TCEQ approved the inspection report.

Mr. Clark reported that Harvest Market tap lines had been installed. He then reported on the interconnect between Oakmont and the District, and indicated that Oakmont was expected to put the water well back online by April 27, 2016, and at that time Oakmont would no longer require the District service.

Mr. Clark informed the Board that the lead samples testings were good. He also mentioned that the total coliform rule materials testing had been submitted to the State. He then noted that he was working to send the survey to the Texas Water Development Board.

Mr. Clark presented and reviewed with the Board a draft of the drinking water quality report. He indicated that the report would be submitted for the Board's approval at its next scheduled meeting.

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

MATTERS RELATED TO THE PURCHASE OF GENERATOR FOR WATER PLANT 1

John Elder presented and reviewed the Demand Response Program Report. He mentioned to the Board that they previously approved the acquisition of the generator for Water Plant 1 (“WP 1”). Mr. Elder stated that the General Land Office (“GLO”) and Acclaim Energy are partners in the Demand Response Program. He noted that his documentation was based on the actual purchase of the generator versus a financing agreement. Mr. Elder questioned if the Board had planned to keep the existing generator. Director Black proposed that the General Manager investigate on how to dispose of the old generator.

Mr. Elder informed the Board that it would take four-to-six months to install and program the new generator. He informed the Board that the new generator would have a one-year

warranty, and the District would need to include a maintenance rate schedule. The estimated cost was \$8,000 yearly. Upon motion duly made and seconded, the Board voted unanimously to approve the Contract for Purchase of IDG Systems with PowerSecure, Inc., the Contract for Operation and Maintenance of IDG System with PowerSecure, Inc., and the Demand Response & Standby Generator Annex and Energy Management Services Agreement with Texas General Land Office and Acclaim Energy, Ltd. Copies of these documents shall be placed in the Districts permanent records.

Mr. Elder informed the Board he would have the contracts executed by PowerSecure Inc, and the General Land Office.

ENGINEER'S REPORT

Joshua Lee presented and reviewed the Engineer's Report, a copy of which is attached hereto as an exhibit. Mr. Lee indicated that the Wastewater Treatment Plant No. 2 ("WTP 2") expansion punch list items were still outstanding. He then noted that the manufacturer representatives would visit the site on March 22, 2016 to troubleshoot and repair the equipment that may not be operating properly. He then stated no Final Pay Estimate had been submitted for approval. Mr. Lee informed the Board that he would provide an update on the project completion by the end of the week. He indicated that the delay was affecting the District Bond Application for the Water Treatment Plant No. 3 ("WTP 3") and WTP shares for three developers.

Mr. Lee then reported on the WTP 3 design and access project. He said that the detention pond may need to be relocated, which would affect the site layout. He stated that the M-103 pedestrian crossing drainage study had been refiled. Mr. Lee then informed the Board that he believes all of the issues had been resolved.

Mr. Lee told the Board that he plans to estimate final expenses on the WTP and to move forward with the Bond Application. He hopes to present the Bond Application to the Board within 30 days.

He then discussed the Defined Area Bond Application and noted that the Financial Advisor stated that the District could issue approximately \$7,800,000 Bonds based on current assessed values in the Defined Area. Mr. Lee said that DR Horton submitted a list of projects and there were two scenarios to consider, one of which was to pay the Developer's interest, which would be approximately a \$30,000 difference. He stated that TCEQ rules limit Developer's interest to two years from the date of completion. He then indicated that the District could get up to five years of interest if the District agreed to apply for the exception. Mr. Lee explained that there were no more eligible projects for Water, Sewer and Drainage at this time within the District. He informed the Board that another option would be to issue road bonds for DR Horton. A discussion ensued among the Board, and upon motion duly made and seconded, the Board voted unanimously to authorize the Engineer to proceed in preparing materials for road bonds. The Board agreed to limit the Developer's interest to two years. Mr. Lee stated that the estimated bond amount would be \$6,490,000, starting with a sinking fund of about \$380,000, and no capitalized interest, which would save the District about \$750,000 in Bond size.

Mr. Lee mentioned that the Park Bonds Release of Escrow and Change in Scope Application for \$242,478 was filed on March 11, 2016 with the TCEQ and he had received the administratively complete letter, a copy of which is attached here as an exhibit.

Mr. Lee stated that two new tennis courts at had been included in the original Park Bond issue. Director Black stated that the two additional projects, M-103 pedestrian crossing and the bathroom at West Park, were included in the Park Bond Application. Mr. Lee told the Board that a Release of Escrow will need to be filed for the two new tennis courts at Inway Park. A discussion ensued among the Board. Upon motion duly made and seconded, the Board authorized the Engineer to work with Mr. Sheffield and the park committee to start working on the tennis courts at Northcrest and the West Park bathroom projects.

Mr. Lee then reported on the status of Orpheus Holdings, LLC development and feasibility study for the 1.995-acre tract of land. He indicated that the Developer was proposing a strip center for their office and retail space on the west side of Gosling Road and south of West Rayford Road. He indicated there was a public water line on the east side of Gosling Road and the line will need to be extended to the west side of the roadway. He then informed the Board that the line could be looped in the future and eliminate the numbers of leads under the roadway. Mr. Lee stated the developer requested 1,300 gpd for water usage, and 1,100 gpd of sewer capacity. He also told the Board that the project was feasible, and estimated about a 48% Developer reimbursement. Mr. Lee informed the Board that annexation would be required. A discussion ensued among the Board, and upon motion duly made and seconded, the Board voted unanimously to approve the feasibility study and authorize the Attorney to start working on the annexation.

Mr. Lee reported that Willow Creek Golf Club held its re-use study kick-off meeting on February 25, 2016. He stated that the Phase I report would be presented at the District's May 16, 2016 meeting. Mr. Lee asked for the Boards feedback on the structure options before the District looked at any funding options. He noted that the Golf Club would be funding the cost of the feasibility study. He then stated that the annual inspection of facilities had been completed.

Upon motion duly made and seconded, the Board voted unanimously to approve pay estimates and change orders, as presented per Engineer's Report attached.

Mr. Wallace reported on the Terra Gosling, LLC 7.965-acre tract. He presented for the Board approval the Annexation Letter Agreement, the Petition for Addition of Certain Land, the Petition for Consent to Annex Land and Order Annexing Land Subject to Certain Conditions, copies of which are attached hereto as exhibits. Upon motion duly made and seconded, the Board voted unanimously to approve the same.

Mr. Wallace indicated that Buffington had not responded to the Bookkeeper's request for funding. He stated that the District needed to file their Letter of Credit so that it could act as a payment reminder for the balance owed.

Mr. Lee informed the Board that he was not certain if Bryan Frenchak's WP3 site had been cleaned.

Mr. Lee stated that DR Horton proposed the annexation of 1.825 acres into the Defined Area. Mr. Wallace stated that he plans to meet with the Attorney General regarding this matter.

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

ATTORNEY'S REPORT

Mr. Wallace discussed the upcoming Directors Election for May 7, 2016. He informed the Board that the election process was moving forward. He then indicated that the Notice of Election would get posted soon, and that he was looking for other means of getting the notice of election published in various neighborhood outlets.

Regarding land sought by Strack Homes, Mr. Wallace informed the Board that he contacted Doug Eibsen, about the restrictive covenant in the deed to the District, and Mr. Eibsen was not willing to release the covenant. Director Black indicated that the leaning trees needed to be shaped and the fence needed repairing. Mr. Wallace noted that Mr. Sheffield was working to get the issues resolved. Al Peters confirmed that the work is progressing.

Mr. Wallace presented and reviewed the Order Authorizing Approvals of Certain Contracts, a copy of which is attached hereto as an exhibit. A discussion ensued among the Board, and upon motion duly made and seconded, the Board voted unanimously to authorize Mr. Sheffield to approve contracts up to \$25,000 without further action by the Board

Mr. Wallace then presented a draft of the Code of Ethics. He requested the Directors to review the draft document. He then indicated that he would like to adopt the Code of Ethics at the District's April 18, 2016, meeting.

OTHER BUSINESS

Director Black discussed the historical documentation of the District. He indicated that he spoke with Lisa June to have the District records updated. He then informed the Board that the constables have not moved to the new facility.

Director Thomas mentioned that the trees needed to be delivered and planted at Inway.

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



Robert W. Owens
Secretary, Board of Directors