

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

July 18, 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 18th day of July, 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
Scott Kirkpatrick	Secretary
Roger A. Flood, III	Treasurer

All members of the Board were present with the exception of Director Schneider, 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 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. Jim Sheffield, the District's General Manager; Mr. Steve Eustiss of Robert W. Baird & Co., the District's Financial Advisor; 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.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

APPROVAL OF MINUTES

Minutes of the meetings of the Board of Directors held June 6, 2016 and June 20, 2016 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve the June 6, 2016 minutes as presented, and to approve the June 20, 2016 minutes as revised.

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 98.41% of the District's 2015 tax levy had been collected thus far and the tax records had been submitted to the delinquent tax attorney.

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 Investment Report, and the sixth month of the year-to-date budget, copies of which are attached hereto as exhibits. Ms. Schmidt stated the developer deposit for Orpheus Holdings, LLC had been refunded to them and two developers had been billed for deficiencies. She also noted the accounting for the Wastewater Treatment Plant project was not ready to finalize yet.

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

Steve Eustiss discussed the proposed Series 2016 \$6,490,000 Defined Area bond issue, noting the Texas Commission on Environmental Quality ("TCEQ") had approved the sale. He presented and reviewed the first draft of Preliminary Official Statement and Notice of Sale.

Mr. Eustiss noted the following proposed details of the sale:

1. sale date of 8/15/16;
2. bids would be taken electronically;
3. bonds would be non-rated;
4. the District would not be applying for bond insurance;
5. the bonds would not be bank-qualified;
6. the bonds would be secured only by ad valorem taxes in the Defined Area (439 acres);
7. Regions Bank would serve as Paying Agent.

He also reviewed a cash flow analysis for the Water, Sewer, and Drainage ("WS & D") \$6,490,000 Defined Area Bonds, a copy of which is attached hereto as an exhibit. Upon motion duly made and seconded, the Board voted unanimously to approve the Preliminary Official Statement and Notice of Sale and authorize the Financial Advisor and Attorneys to proceed with the sale of the bonds.

Mr. Eustiss next presented a cash flow analysis for a Defined Area Road Bond Issue, a copy of which is attached hereto as an exhibit, noting that TCEQ approval is not required for the sale of road bonds.

Mr. Eustiss stated the analysis reflected the following:

1. it showed no growth beyond the \$89 million certified estimated value;
2. \$.44 needed to support debt service at > 25% coverage ratio;
3. \$.20 would remain for road debt service;
4. the District would have to levy a separate road tax rate and a WS & D tax rate;
5. \$.64 total Defined Area debt service;
6. \$2,975,000 in road bonds can be supported at a 3.5% projected interest rate;
7. six months of capitalized interest.

A proposed schedule for road bonds was discussed as follows:

1. August 15, 2016-approve Preliminary Official Statement and Notice of Sale;
2. sell bonds on 9/5/16;
3. close by end of September 2016.

Upon motion duly made and seconded, the Board voted unanimously to approve the preparation of a Preliminary Official Statement and Notice of Sale for a road bond issue.

A discussion ensued among those present in which it was determined that the Bookkeeper would need to set up two separate debt service fund accounts and allocate existing sinking funds.

OPERATOR'S REPORT

Mr. Don Hays presented the Operator's Report, a copy of which is attached hereto as an exhibit.

Mr. Hays reported that Oakmont Public Utility District ("Oakmont") had made a payment of \$119,272 for interconnect use. He reported the District's water accountability rate was 98.37% for the previous month and there were seven taps installed in May and one in June.

Mr. Hays stated the blower repair at the Wastewater Treatment Plant ("WTP") was complete. He also stated the Operator was continuing to work with the Engineer on the motor control for the Lift Station. He reported that all lead content numbers should have been available.

Mr. Hays stated the Operator was continuing to compare maintenance rates and insurance for the generator. He next stated the fire hydrant service should begin next week.

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

ENGINEER'S REPORT

Josh Lee presented and reviewed the Engineer's Report, a copy of which is attached hereto as an exhibit. Mr. Lee reported that the Engineer was pending receipt of operation and maintenance manuals from Liftwater Construction, contractor for the Wastewater Treatment

Plant No. 2 expansion, and recommended approval of the final pay estimate at next month's Board meeting.

Mr. Lee next reported that the Engineer was working out drainage issues in the design of the Water Plant No. 3 – Phase 1 Project (“WP3”) and expected a December 2016 approval with bids early next year. He then reported that since Harris County had approved the construction plans for the M-103 pedestrian crossing bridge, the escrow release application was filed with the TCEQ and construction would proceed. Director Black commented that he wanted to proceed now with the project and Mr. Sheffield commented the contractor was waiting to proceed. Mr. Lee noted the cost would be about \$15,000 and the Board directed the General Manager to proceed with the project utilizing operating funds and be reimbursed out of escrowed funds when they become available.

Mr. Lee told the Board that Bond Application No. 17 in the amount of \$10,300,000 was filed with the TCEQ on July 11, 2016 to construct WP3 and provide some WTP reimbursements. Mr. Lee next reported that a pre-purchase inspection of the detention facilities for Hampton Creek was needed. He stated D.R. Horton-Texas, Ltd. (“DR Horton”) was working on a compliance punch list based on Jones & Carter's inspection.

Mr. Lee said the Release of Escrowed Funds Application which was filed on July 14, 2016 with the TCEQ had been declared administratively complete and was under review by the TCEQ. Mr. Lee next informed the Board that he, Director Black, and Director Flood had met with Morgan Gonzales of Willow Creek Golf Club to discuss financing options for the water re-use project. He stated that the golf club facilities had experienced losses due to recent flooding and this had delayed the project. He stated Mr. Gonzales would notify him with the Club Corporation Board's decision.

Mr. Lee next discussed detention ponds eligible for conveyance/acceptance by the District of which two are in a position to be accepted. He stated the Board needed to decide what level of maintenance the District was prepared to perform as the ponds consist of natural wetlands, trees (some dead), etc. Mr. Lee stated the Engineer was gathering construction costs, but not costs of land and the engineer had asked DR Horton if they were agreeable to deeding the land to the District without reimbursement. Mr. Lee next reported that Harris County was not very far along on the Gosling Road widening project and utility relocation.

Mr. Lee presented the following Pay Estimates for approval:

- (1) Inway Oaks Estates Onsite Lift Station - Pay Estimate No. 7 and Final in the amount of \$18,995.00 to C. F. McDonald Electric, Inc.;
- (2) Paving in Hampton Creek Section 7 - Pay Estimate No. 2 in the amount of \$222,133.24 to Jaho, Inc.

Upon motion duly made and seconded, the Board voted unanimously to approve the Pay Estimates as presented.

Mr. Lee presented an updated boundary map of the District. Upon motion duly made and seconded, the Board voted unanimously to approve the boundary map as presented.

Mr. Lee then presented a cost summary for repair of the Ditch M102 channel, a copy of which is attached hereto as an exhibit. He stated the total cost was \$63,179.20 which would be divided equally among the District, Oakmont Public Utility District, and Woodsedge Church. The Board tabled this issue as Director Black wanted to confer further with the Engineer prior to approving the project. Director Black and Mr. Lee noted they were anxious to get this project underway.

Mr. Lee next discussed the issue with a private storm drain line at 6023 Elmgrove. He stated the T.V. survey indicated no problems and that it was an instance where there was more rain falling than the storm sewer could handle. He offered two solutions which were to cut a swale between two houses or create a berm in the back yard. He stated that Mr. Sheffield would meet with the residents next Wednesday. He next mentioned that the GIS system was now available via a mobile app.

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

GENERAL MANAGER'S REPORT

Jim Sheffield stated there was only a project drawing, as yet, for the West Park bathroom, as the project is on hold. He stated the old furniture had been removed from the vacant former Constable's office.

Director Black next stated the Northampton directory project was moving forward and that letters had been mailed out to residents. Director Black stated there had been about 350 responses including 31 opt-outs. He further stated 900 e-mails had been sent and it was receiving a good reaction.

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

ATTORNEY'S REPORT

Mr. Wallace presented an engagement letter on behalf of McCall Gibson Swedlund Barfoot, PLLC regarding services related to the developer reimbursement audit. Upon motion duly made and seconded, the Board voted unanimously to approve the engagement letter as presented.

Mr. Wallace next referenced the Terra-Gosling 7.965 acre annexation, noting the updated boundary had just been approved which was one of the last steps in completing this annexation. He then stated the AGM Box Office 1.613 acre annexation was stalled as we had not received requested documents from the developer.

Mr. Wallace then reported that Oakmont had not taken any action regarding the Amended and Restated Joint Use Agreement at their Board meeting last week. Director Black stated they were waiting for results of their survey. Next, Mr. Wallace stated the TCEQ was conducting another Drinking Water Advisory Work Group. He stated there was no indication whether they were making progress on water plant compliance. He noted he may try to check the status of the enforcement issue.

Mr. Wallace next presented an Arbitrage Compliance Specialists, Inc. engagement letter for service related to the 2006 Bonds tenth year, final report. Upon motion duly made and seconded, the Board voted unanimously to approve the engagement letter as presented.

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




Secretary, Board of Directors