

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

September 19, 2016

THE STATE OF TEXAS §
 §
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 19th day of September, 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:

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|---------------------|--------------------|
| 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, 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. Justin Jenkins of McCall Gibson Swedlund Barfoot, PLLC, the District's Auditor; Mr. Al Peters, an employee of the District; Mr. Jim Sheffield, the District's General Manager; Mr. Joshua Lee, P.E. of Jones & Carter, Inc., the District's Engineer; Ms. Lisa June, an employee of the District; Mr. Steve Eustis of Robert W. Baird & Co., the District's Financial Advisor; Ms. Carrie Schrudgg, Ms. Teresa Sims, Ms. Mary Olsen, and Ms. Kirsten Jarzombek, 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. At this time, the pledge of allegiance and an invocation were held.

COMMENTS FROM THE PUBLIC

There were no comments from the public at this time.

APPROVAL OF MINUTES

Minutes of the meetings of the Board of Directors held on August 25, August 31, and September 6, 2016 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve the August 25, August 31, and September 6, 2016 minutes as amended.

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 reported total taxes receivable of \$67,596.12. She then presented the delinquent tax report, a copy of which is attached hereto as an exhibit. She also noted that BLD Gosling, LLC currently owed \$5,838.33 base tax for 2014-2015, and \$2,562.16 for 2015. She next reviewed the Payment Card Industry credit card compliance documents and service agreement. Upon motion duly made and seconded, the Board voted unanimously to approve the service agreement.

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 the Bookkeeper's Report, a copy of which is attached hereto as an exhibit. She explained that the 2013-2015 maintenance taxes collected from the Defined Area were split between the Defined Area Debt Service Fund and the Defined Area Road Debt Service Fund. She noted this avoided capitalized interest on Defined Area Bonds, which have been recently closed.

Ms. Schmidt then discussed the Defined Area Bonds which were closed on September 13, 2016. She stated she had opened a Defined Area Capital Projects Fund account. She said \$5,720,353.23 was wired to D.R. Horton for development reimbursements contingent upon the Board's approval of the developer reimbursement audit to be presented at this meeting. She also said the required bond issuance fee to the Texas Commission on Environmental Quality ("TCEQ") had been paid, with certain other fees which were presented for payment at tonight's meeting.

Ms. Schmidt next stated she had opened a Defined Area Road Capital Projects Fund account which would be funded on September 29, 2016, the date of closing for the Defined Area Road Bonds. Upon closing, the amount of \$2,275,750.54 would be wired to D.R. Horton contingent upon the Board's approval of the developer reimbursement audit to be presented at this meeting.

Ms. Schmidt reviewed the Parks Capital Projects Fund account. She said that the escrowed funds were released and were ready to be spent on engineering for the M103 pedestrian bridge and water features. She stated the second release of escrow for \$123,000 was still pending and there should be about \$190,000 remaining for the tennis courts and M103 bridge project. Ms. Schmidt then said she would confirm this. She then reviewed the Investment Report, 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.

The Board next reviewed the Development Reimbursement Audit for the Defined Area Bonds. Mr. Jenkins said D.R. Horton owed \$5,720,353.23 and that \$292,136.00 of this amount

was paid in developer interest, adding that this amount was approximately \$99,225.00 below the projected amount. Upon motion duly made and seconded, the Board voted unanimously to approve the reimbursement audit and to authorize disbursement of funds to D.R. Horton.

Mr. Jenkins next reviewed the Development Reimbursement Audit for the Defined Area Road Bonds for the amount of \$2,275,750.54 including \$55,193.37 developer interest. He said surplus funds were estimated at \$23,305.00. Upon motion duly made and seconded, the Board voted unanimously to approve the audit and authorize the disbursement, subject to the Bonds closing.

Mr. Wallace then presented the Conveyance Agreement between D.R. Horton and the District. It was discussed that the agreement does not include ponds, and this matter will be handled in a separate agreement. Upon motion duly made and seconded, the Board voted unanimously to approve the Conveyance Agreement.

FINANCIAL ADVISOR'S REPORT

Mr. Eustis presented two recommendation letters, copies of which are attached hereto as exhibits. The District tax rate was discussed first. Mr. Eustis stated the assessed value was \$521,583,531.00 with \$43 million uncertified. He assumed a value of \$564.7 million dollars representing a 12% increase. His recommendation was a total tax rate of \$0.59 (\$0.34 debt service and \$0.25 maintenance and operation), which is a \$0.02 reduction in the previous debt service tax rate. He made the recommendation assuming no growth and the \$10.3 million dollar pending bond issue. He further noted that \$0.25 maintenance and operation rate would generate \$1,383,000 and stays below the rollback rate.

The Defined Area tax rate was discussed next. Mr. Eustis stated the assessed value of the Defined Area was \$62,062,955 certified and \$16,738,561 uncertified, for a total of \$78,801,516. He made the recommendation assuming no growth and included the pending \$2.7 million Defined Area Road Bond issue. It was mentioned that a District bond refunding is pending. He suggested they could consider whether another \$0.01 could come off the debt rate.

Upon motion duly made and seconded, the Board voted unanimously to publish the Notice of Public Hearing on October 17, 2016 to consider the District tax rate of \$0.59 (\$0.34 debt service and \$0.25 maintenance and operation), possibly in *The Houston Business Journal*.

For the Defined Area, it was then recommended that \$0.42 would be the rate for debt service, \$0.175 would be the rate for road debt service, and \$0.045 would be the maintenance and operation rate, for a total of \$0.640. Upon motion duly made and seconded, the Board voted unanimously to publish the recommended rate for the Defined Area.

Mr. Eustis then discussed the status of refunding bond issue, a copy of which is attached hereto as an exhibit. He noted the pricing would be Thursday, September 22, 2016, with a projected 7.825% present value savings. He stated Moody's had affirmed a rating of "A2", and that Raymond James & Associates, Inc. was selected as the underwriter. It was disclosed there was a family relationship between firms with a mother and daughter, and this had not affected selection or recommendation. The Board acknowledged the disclosure. It was noted the par amount would be approximately \$4,735,000. It was also noted that Build America Mutual Insurance would provide bond insurance.

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 rate for the previous month was 94.26% and there were no excursions at Wastewater Treatment Plant. The Board then mentioned they wanted to see the actual DMR's instead of summary reports.

Mr. Clark next reviewed the request to install inflow preventers in manholes, with seventy-seven proposed at \$169 each, for new sections. Upon motion duly made and seconded, the Board voted unanimously to proceed with the installation. He next stated that fire hydrant painting should commence on October 1, 2016.

Director Black mentioned that invoices reflect charges for disconnect notices sent out in June. He said the technician charged to flush blow-off valves throughout the District. Mr. Clark agreed to review this.

Mr. Sheffield then stated he had discussed the Homeowners Association voluntary fee and charge for collection of donations with Mr. Hays. Don Hays mentioned he wanted to attend a Board meeting and address how Hays Utility charged for this. The Board stressed its displeasure with the charges by the operator.

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

ENGINEER'S REPORT

Josh Lee reviewed the Engineer's Report, a copy of which is attached hereto as an exhibit. Mr. Lee stated that a letter was sent to Liftwater Construction regarding the Wastewater Treatment Plant No. 2 Phase I final pay estimate and the alleged deduction for "damages" incurred for not sending a digital copy of the operation and maintenance manual. Mr. Lee noted that the contract period of performance for substantial completion had expired January 1, 2016. He informed the Board that the contractor requested to meet with the Board after they submit the digital manuals. Mr. Lee next reported on Water Plant No. 3 design, and he discussed the diagram of the tank logo. He then stated that M102 ditch repair work had been completed, and the final pay estimate would be presented at the October meeting.

Mr. Lee informed the Board that the Bond Application Report No. 17 in the amount of \$10,300,000 for Water Plant No. 3 and the Wastewater Treatment Plant capacity shares had been filed with the TCEQ, and the application had been reviewed by the TCEQ reviewer and passed on for peer review. He stated he expected approval from the TCEQ within the next 30 days.

Mr. Lee then reported on the Gosling Road widening project between West Mossy Oaks Road and West Rayford Road. He said that the developer accepted the proposed waterline relocation and agreed to allow the existing sanitary sewer line and manholes located within the Gosling Road right-of-way to remain in place. He also stated that Harris County would start the bidding process in the 1st quarter of 2017, and the second segment of Gosling Road would start afterwards.

Mr. Lee then presented Pay Estimate No 3 from Bay Utilities, LLC. for Hampton Creek

Section 7 water, sewer and facilities project in the amount of \$36,066.71. Upon motion duly made and seconded, the Board voted unanimously to approve the Pay Estimate as presented. He then reported on Hampton Creek Phase IV excavation, grading and detention project. He informed the Board that the low bidder was Sonora SWQM Co. for \$776,943.90. He then recommended the Board award the contract to Sonora SWQM. Upon motion duly made and seconded, the Board awarded the contract for Hampton Creek Phase IV project to Sonora SWQM.

Mr. Lee reported that Terra-Gosling, LLC water and sanitary sewer extension project was out for bid. He then informed the Board that the generator plans for Water Plant 1 had been approved, and he stated the contractor would mobilize next week. He also told the Board that the fuel tank had been relocated at Water Plant No/ 1.

Mr. Lee informed the Board the District received notification from Jorge Canvati to stop the feasibility study for the 12.74 acres located east of Gosling Road.

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

ATTORNEY'S REPORT

John Wallace informed the Board that the proposed Escrow Agreement with UDF-IV for completion of Dovershire Place by BLD Gosling and Monarch Civil Constructors had been put on hold by the developer, and the agreement was still in the process of being drafted. Mr. Wallace then reported on Big Diamond and informed the Board that the Developer Financing Agreement had been prepared, and it would be sent to the developer for execution. He then stated that AGG Box Solutions annexation documents had been filed with the City of Houston (the City"). He also told the Board that Canvati 12.74 acres annexation project was on hold.

ANNUAL REVIEW OF INVESTMENT POLICY

The Order Reviewing the Investment Policy was tabled.

NOTICE OF TERMINATION OF AMENDED AND RESTATED JOINT USE AGREEMENT WITH OAKMONT PUD

Mr. Wallace reviewed the letter of termination of the Amended and Restated Joint Use Agreement with Oakmont PUD ("Agreement"). Upon motion duly made and seconded, the Board voted unanimously to approve the letter of termination to be effective December 4, 2016.

DISCUSSION REGARDING RATE ORDER

The Board entered into a discussion regarding the District's Rate Order and the District's surcharge to cover the loss of water for the North Harris County Regional Water Authority's ("RWA") fees. The Board agreed they needed to further review this matter and tabled discussion.

SANITARY CONTROL EASEMENTS.

Mr. Wallace reported that the engineers had prepared two Sanitary Control Easements that were needed to meet TCEQ regulations for the new Water Well No. 4 at Water Plant No. 3. He presented the easements, but said that the grantors would need to execute them to effect the conveyance of the easements. Mr. Wallace recommended the Board approve acceptance of the easements subject to execution by the grantors. Upon motion duly made and seconded, the Board voted unanimously to approve the Sanitary Control Easements and accept the conveyance.

GENERAL MANAGER'S REPORT

Mr. Jim Sheffield reported on the status of the sprinklers at Inway, and that it had been completed. He next discussed that the residents would like input on the pool and splash pad improvements. He then suggested that the District look at other options for hiring and training lifeguards.

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




Secretary, Board of Directors