

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

October 17, 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 17th day of October, 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 Directors Schneider and Kirkpatrick, 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. 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; Mr. Steve Eustis 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. 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 meeting of the Board of Directors held on September 19, 2016 were presented for ratification. Upon motion duly made and seconded, the Board voted unanimously to ratify the September 19, 2016 minutes as amended. Minutes of the meeting of the Board of Directors held on October 3, 2016 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve the October 3, 2016 minutes as amended.

PUBLIC HEARING ON TAX RATE

Esther Flores reported the District's Notice of Public Hearing on Tax Rate had been published, pursuant to the 2016 Tax Rate Analysis and recommendation. There were no comments from the public, so the hearing was then closed.

Steve Eustis presented a recommendation letter for tax rates, a copy of which is attached hereto as an exhibit. He recommended a combined tax rate of \$0.64 for the Defined Area which included \$0.42 for a water, sewer, and drainage debt service, \$0.175 for road bond debt service, and \$0.045 for maintenance and operations. He recommended a District tax rate of \$0.33 for debt service purposes plus \$0.25 for maintenance and operations for a total combined tax rate of \$0.58. This recommendation assumed the results of the current bond refunding.

After discussion, upon motion duly made and seconded, the Board voted unanimously to adopt an Order Setting 2016 Tax Rate at a combined rate for the District of \$0.58 per \$100 of assessed valuation, consisting of \$0.25 per \$100 of assessed valuation for maintenance and operation purposes, and \$0.33 per \$100 of assessed valuation for debt service purposes. The order included a combined rate for the Defined Area of \$0.64 per \$100 of assessed valuation, consisting of \$0.42 per \$100 of assessed valuation for debt service on Defined Area water, sewer and drainage bonds, and \$0.175 per \$100 of assessed valuation for debt service on Defined Area road bonds, and \$0.045 for maintenance and operations purposes. A copy of the Order is attached hereto as an exhibit.

AMENDMENT TO INFORMATION FORM

The Board then reviewed an Amendment to Information Form and revised Notice to Purchaser of Real Property reflecting the District's 2016 tax rate. After discussion, upon motion duly made and seconded, the Board voted unanimously to approve the Amendment to Information Form and authorized filing of same. A copy of the Amendment is attached hereto as an exhibit.

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 99.25% of the District's 2015 tax levy and 99.99% of the Defined Area 2015 tax levy as of September 30, 2016.

Ms. Flores reported that tax payments were made via credit card services 82 times last year. She then discussed the current credit card services provider, Global Payments, noting their fees had increased dramatically and there was a new annual fee. She presented the First Billing Payment Services Agreement which had a rate of 2.5% and e-checks at \$1.99 each. The Board executed the documents to hire the new provider. Upon motion duly made and seconded, the Board voted unanimously to approve First Billing Payment Services as the new provider.

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 discussed the park funds escrow release stating that some park improvements were pre-funded from the Operating Account and \$62,176.00 was reimbursed to the Operating Account. Ms. Schmidt stated the bookkeeper would track expenses going forward. Ms. Schmidt reported \$371,577.85 remains in the Parks Capital Projects Fund. She next reported the M-103 bridge project and tennis courts would get funded in the next TCEQ funding approval.

Ms. Schmidt then reviewed the Investment Report, a copy of which is attached hereto as an exhibit. She stated the final accounting for the Wastewater Treatment Plant was close to completion and that funds still needed to be collected from BLD Gosling. She noted the project was under budget and extra monies would remain to be disbursed.

Ms. Schmidt next mentioned the Wells Fargo Bank Custody Agreement for letters of credit. Mr. Wallace stated the project was complete and there was no need to renew this document.

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 stated the District's water accountability rate for the previous month was 91.47%, there were no excursions at the Wastewater Treatment Plant, and 25 taps were set.

Director Black mentioned the cost of production had increased after the new plant went on line. Mr. Clark agreed to review this. Director Black also had a number of questions regarding the accuracy of work descriptions on the Operator's invoice.

Mr. Sheffield asked why there had been a greater delay in getting yard excavations repaired, noting the time span has increased from two weeks to about six weeks. Mr. Clark agreed to review this.

Mr. Clark reported that testing was complete on 170 fire hydrants and 62 needed various repairs ranging from \$250 to \$1100 for typical repairs. He expected the total cost to be approximately \$29,600.00. Upon motion duly made and seconded, the Board voted unanimously to approve the repairs to the fire hydrants.

Mr. Clark next reported that Dennis Oswald, a District resident at 6123 Northway, asked for a payment schedule for his high water bill. The Board agreed to a three-month payment plan.

Director Black mentioned the District is looking at a proposal for Smart Metering.

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

FINANCIAL ADVISOR'S REPORT

Mr. Eustis then discussed the Refunding Results Report of the recently closed refunding bond issue, a copy of which is attached hereto as an exhibit. He stated Moody's Investor Service had confirmed a rating of "A2", and that Build America Mutual Insurance would provide bond insurance. Mr. Eustis stated the final results included a present value savings of 8.487% and a gross savings of \$531,254.00. He stated the bonds were expected to close on Thursday, October 20, 2016.

Mr. Eustis then discussed the upcoming \$10,300,000.00 Series 2016 Bonds. He presented the draft Notice of Sale and Preliminary Official Statement dated October 17, 2016. He stated the bid date would be November 14, 2016, the District would carry a rating, and the bonds would be insured. Upon motion duly made and seconded, the Board voted unanimously to approve the Notice of Sale and Preliminary Official Statement and authorized the distribution of same.

ENGINEER'S REPORT

Josh Lee reviewed the Engineer's Report, a copy of which is attached hereto as an exhibit. Mr. Lee presented the 15th and final pay estimate for Liftwater Construction regarding the Wastewater Treatment Plant No. 2 Phase I in the amount of \$307,259.57 which reflected a \$25,849.00 deduction for "damages" in accordance with the contract. Upon motion duly made and seconded, the Board voted unanimously to approve the pay estimate and Certificate of Acceptance. Mr. Wallace commented that the contractor had been aware of the meeting.

Mr. Lee next reported on Water Plant No. 3 design, noting that Director Black and the Operator had conducted a walk-through. He stated the plan was to bid the plant in January and the Bonds would fund in December. He then stated the M-102 ditch repair final pay estimate would reflect a 10% retainage fee to be held pending grass growth. He noted that the District would true-up costs with Oakmont Public Utility District at a later time.

Mr. Lee stated the Release of Escrow Application for park improvements was still pending at the Texas Commission on Environmental Quality ("TCEQ"). He next stated the Gosling Road widening project was still on schedule with Harris County. Mr. Lee next reported that the design of the Hampton Creek Lift Station was ongoing, that the project has been advertised, and the District is a pro rata participant at about \$100,000.00.

Mr. Lee reported the Engineer had received a Notice of Violation from the TCEQ on September 20, 2016 for Water Wells 1, 2, and 3, a copy of which is attached hereto as an exhibit. He stated the process started back in 2013 when original approval letters were requested by the TCEQ. It was noted the original approval letters were issued in 1969, 1971, and 1985, respectively. It was mentioned that a Drinking Water Advisory Work Group ("DWA WG") was formed about two years ago. They have been reviewing the well certification problem, but there hasn't been a resolution.

A discussion ensued regarding the matter where it was noted that the TCEQ wanted the District to work with the regional office; the District might set up a conference call with TCEQ to discuss; no amendments were forthcoming; the District would not back down; it would cost about \$15,000-\$20,000 per well to meet compliance standards; additional testing may be

required going forward; the District would have to apply for a variance.

Mr. Wallace suggested the District could possibly pursue a political coalition to bring pressure on the TCEQ to drop this matter, i.e. Association of Water Board Directors or other trade groups.

Mr. Lee then presented Pay Estimate No 1 from Storm Water Solutions, LP. for M-102 ditch repair in the amount of \$53,742.78; Pay Estimate No. 2 from Lischka Utilities, LLC for water, sanitary, and drainage facilities in Hampton Creek Section 9; and Pay Estimate No. 5 from Burnside Services, Inc. for excavation, grading, and detention in Hampton Creek Phase 3 in the amount of \$126,126.27. Upon motion duly made and seconded, the Board voted unanimously to approve the Pay Estimates as presented.

The Board authorized advertisement for bids for the Hampton Creek lift station and water, sewer, and drainage for Hampton Creek Section 8.

Mr. Lee then presented a Bid Tabulation Sheet for the water and sanitary sewer extension along Gosling Rd. to serve the 7.965 acre Terra-Gosling, LLC tract, a copy of which is attached hereto. He stated the low bidder was LG & G Construction, Inc. with a bid of \$252,986.25. Terra-Gosling, LLC awarded the contract to LG & G Construction, Inc. He further stated this contract would be funded by Terra-Gosling, LLC but on behalf of Northampton because a portion of these funds are potentially reimbursable.

Mr. Lee next reported the low bidder for paving in Hampton Creek Section 9 was Jaho, Inc. with a bid of \$602,029.20 and they were awarded the contract by D.R. Horton-Texas, Ltd. He stated this contract would be funded by D.R. Horton-Texas, Ltd. but on behalf of Northampton because a portion of these funds are potentially reimbursable.

Mr. Lee then reported the Engineer would pursue the stormwater permit for the Wastewater Treatment Plant.

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

AGG BOX SOLUTIONS, LLC

Mr. Wallace stated the annexation was pending review by the City of Houston.

GENERAL MANAGER'S REPORT

Mr. Sheffield stated he wanted to invite Richard Giese to the recreational meeting to discuss a long term lease of the property next to the Wastewater Treatment Plant. Director Black stated the District should preserve a 25' buffer along Dovershire.

Mr. Sheffield then reported the Northampton directory was now available online. He then stated the Trails at Inway were being repaired to get ready for the bridge opening.

ORDER REGARDING INVESTMENT OF PUBLIC FUNDS

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.

ATTORNEY'S REPORT

Mr. Wallace stated he had received a draft of the proposed Escrow Agreement with UDF-IV for completion of Dovershire Place by BLD Gosling and Monarch Civil Constructors. The public purpose would be to facilitate the completion of the Dovershire Place subdivision consisting of about 75 homes. The Board then discussed the risks of entering an escrow agreement and then agreed to proceed, provided a suitable agreement was negotiated.

Mr. Wallace then reported that the Texas Legislative Service was requesting to work with the District's attorney to amend the District's source law by filing a bill in the upcoming legislative session. The Board authorized Mr. Wallace to move forward with this work.

Mr. Wallace reviewed a letter from Mallory Craig which stated Oakmont Public Utility District was terminating the Amended and Restated Joint Use Agreement 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 determined to make no changes to the Rate Order at this time.

OTHER MATTERS

Director Black reported that Oakmont Public Utility District Director Sylvia Sullivan wanted to negotiate an agreement to allow Oakmont residents to have full use of the tennis court facilities. He suggested these residents could be grouped with swim families and the District possibly consider a program to serve these approximately 100 families. A discussion ensued among the Board.

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




Secretary, Board of Directors