

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

November 11, 2019

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 special session, open to the public, at 7:00 p.m., on the 11th day of November 2019, 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
W. Paul Schneider	1st Vice President
Ryan Bennett	2nd Vice President
Scott Kirkpatrick	Secretary
Roger A. Flood III	Treasurer/Investment Officer

All members of the Board were present, with the exception of Director Flood, thus constituting a quorum.

Also present were Mr. Jim Sheffield, the District’s General Manager; Mrs. Lisa June and Mr. Keith Lynch, employees of the District; Ms. Robin Secrest, Mr. Howard Wilhite, Mr. Robb Clark, and Ms. Michelle Blevins of Hays Utility South Corporation, the District’s Operator; Ms. Kristen Jarzombek, Ms. Leigh Rucker, and Mr. Brian Risinger, 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.

PUBLIC COMMENTS

There were no public comments.

BILLING AUDIT OF HAYS UTILITY SOUTH CORPORATION

Mr. Jim Sheffield introduced Keith Lynch, an employee of the District, who performed an audit of Hays Utility South Corporation (“Hays”) billing related to the District. Mr. Sheffield stated that the Directors had asked Hays to submit their monthly invoice to the District in order to have time to review it before the monthly meeting and before the bookkeepers prepared the checks for payment of the invoice. Additionally, he stated that Northampton Municipal Utility District was not a typical district, as the District had several full-time employees that may be able to perform some work at a cost savings to the District.

Mr. Lynch stated he had prepared a billing spreadsheet and explained that his report included all months beginning in May of 2019 to present. Mr. Sheffield reviewed the spreadsheet list. Mr. Lynch stated he had tried to match invoices to the Operator's rate sheet. He stated the report highlighted items in the Hays invoices in which he was unable to match a subcontractor's invoice to an item on the Hays invoice, or unable to determine labor charges due to lack of information about the hourly rate of the technician providing the labor. Mr. Lynch said that in reference to labor charges, he was unable to tell which labor, technician, and supervisors were included in the bills. Mr. Sheffield stated the bills didn't show enough detail to avoid confusion.

Ms. Secrest stated that she had reviewed Mr. Lynch's report and had provided information to address these questions. Ms. Secrest stated she receives the technician's field notes from the work order, determines the rate of the particular technician, and calculates the charges for the hours spent on that job. She said she then assesses any percentage markup that may apply and noted this information was contained in a cover sheet for each item on the Hays invoice. Ms. Secrest stated that previously these cover sheets were not provided to the District. She stated she understood that this information was necessary for the District to be able to reconcile the Hays invoice. She said that Hays would provide these cover sheets in all future billings. Ms. Secrest said Hays charged a 15% surcharge over subcontractors rates, and no surcharges were made to their labor charges. Ms. Secrest and Mr. Lynch reviewed several items that he had highlighted in his report.

Concerning the generator at Water Plant No.1, Mr. Sheffield asked if Hays Utility had a contract with PowerSecure to provide the fuel and the fuel additive. Mr. Clark stated that they do, but the contract does not include the diesel additive, Blue Def, and that Hays provides it.

Mr. Sheffield also questioned the 15% markup on the liquid chlorine for the plant. He asked why the 15% was charged for delivery of fuel. Mr. Wilhite responded the District could contract with a provider directly, and that the surcharge by Hays was due the fact that Hays had liability requirements for vendors and also keeps up with other requirements. He said Hays ensures the subcontractor has the \$1.0 million insurance policy required, and that all paperwork required by the IRS and government was filed.

Mr. Sheffield asked that the District be notified in advance of any non-emergency repairs or maintenance costing over \$2000. He said that when the District receives the Hays invoices, the bookkeeper has already prepared the check, and if there are any questions concerning the billing, there was not enough time to review it. Mr. Wallace suggested that the bookkeeper bring a blank check to be presented at the meeting and if any changes to the invoice were necessary, the check could be completed at the meeting. He also suggested that any changes made to the Hays invoice could be corrected the next month if a credit was due to the District. Ms. Secrest said Hays would send a full set of invoices a week prior to the regular Board meeting.

Mr. Sheffield also questioned the charge for the load testing for the overhead cranes that were used at one time to move chlorine gas cylinders. Mr. Wilhite said that since those cranes are no longer in use, the District would be reimbursed for this charge. In addition, he stated credits were being issued to the District for earplugs and replacement of fire extinguishers.

Concerning repair of a fire hydrant in the District in August 2019, Mr. Sheffield questioned why these items appeared on the November invoice when the work was done three months prior. Mr. Wilhite stated that subcontractors do not submit their invoices in a timely matter. He said he would check to make sure that this was not a duplicate billing.

Mr. Wilhite communicated his efforts to make sure that all of Hays' districts receive a full accounting of their invoices. He stated that he and Ms. Secrest welcome any questions the Directors or Mr. Sheffield may have.

Director ^{Thomas} Kirkpatrick questioned if Hays kept a database of approved subcontractors and their performance. Mr. Wilhite assured the Board that no subcontractor was engaged to do more work for Hays if their previous performance was not satisfactory. He stated that their Technical Service Manager, Mr. Jeremy Kay, required work done by subcontractors to be top quality.

Mr. Sheffield inquired as to the frequent occurrences which require the auto-dialers to be reset, especially at night. Mr. Wilhite stated the auto-dialers used are the best on the market. He also stated that if an alarm situation occurs during regular business hours, the District was not charged to reset them. Therefore, the District was not aware of the incidents in which an auto-dialer is required to be reset during the day. He said the District was only charged if the alarm triggers the auto-dialer during non-office hours.

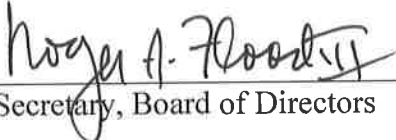
Mr. Lynch stated that many of the items on the Hays invoices list referenced "furnished labor and materials" which often indicate an overage charge of \$47.50. Ms. Secrest explained that these were items in which a Hays employee performed the work. Going forward, the cover sheets submitted with the invoices will clarify these items.

Mr. Lynch stated that all of his questions had been addressed. Mr. Sheffield thanked him for his work on the audit and thanked the Hays representatives for their responses and clarifications concerning the questions.

Concerning the agreement with Badger Meter to manage and transmit data to Hays for the District's smart meters, Mr. Sheffield said he was previously unaware of the per meter charge for this service. Director Schneider stated that the Board was aware of the fee, but that he believed the benefits of these meters outweigh the cost, especially considering the District no longer pays for meters to be manually read.

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




Secretary, Board of Directors