

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

May 19, 2014

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 May, 2014, 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
Joyce Nelsen	Secretary
John A. Braden	Treasurer/Investment Officer

All members of the Board were present, with the exception of Director Thomas and 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 Hayes, Mr. Robb Clark and Ms. Stephanie Miller of Hays Utility South Corporation, the District’s Operator; Mr. Joshua Lee, P.E., of Jones & Carter, Inc., the District’s Engineers; Ms. Jan Bartholomew of RBC Capital Markets, the District’s Financial Advisor; Mr. Jim Sheffield, the District’s General Manager; Jerry Hlozek of DR Horton, a Developer in the District; Ms. Cherie Cross of Environmental Allies; and Mr. John R. Wallace of Bacon & Wallace, L.L.P., the District’s Attorneys.

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.

In the absence of President Thomas, Director Black took the chair and presided over the meeting.

PLEDGE OF ALLEGIANCE AND INVOCATION

Director Black led the meeting in the Pledge of Allegiance followed by the invocation.

RECONSTITUTION OF BOARD OF DIRECTORS

The Board determined to table acceptance of the Oaths of Office and Statements of Officer, reconstitution of the Board of Directors, and authorizing the Attorney to file amended District Registration Form until the June 2, 2014 recreational meeting.

PUBLIC COMMENTS

There were no public comments at this time.

APPROVAL OF MINUTES

Minutes of the meeting of the Board of Directors of February 3, 2014 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve these minutes as presented. The Board then considered approval of the minutes for the Board of Directors meeting held on April 7, 2014. Upon motion duly made and seconded, the Board voted unanimously to approve these minutes as presented. The Board next considered approval of the minutes for the Board of Directors meeting held on April 21, 2014. Upon motion duly made and seconded, the Board voted unanimously to approve these minutes as presented.

BOOKKEEPER'S REPORT

Cindy Schmidt presented the Bookkeeper's Report and Investment Report, copies of which are attached hereto as exhibits. Ms. Schmidt noted deposits are still owed by developers Bryan Frenchak and Trammell Crow Residential. She stated BLD Gosling has paid the developer deposit. 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 reported the Wastewater Treatment Plant was in compliance during the prior month. He noted Klein Independent School District's ("KISD") meter was tested by Accurate Meter Service and found to be running slow. Mr. Clark informed the Board that the meter is being repaired.

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

TAX ASSESSOR/COLLECTOR'S REPORT

Esther Flores presented the Tax Assessor/Collector's Report, a copy of which is attached hereto as an exhibit. She stated she is sending out delinquent bills now. Ms. Flores reported she is waiting on receipt of the District's preliminary values, which she expects to receive in June 2014. She informed the Board that she is still working with the Harris County Appraisal District

("HCAD") to set up the Defined Area accounts, with only four of fourteen accounts certified. Mr. Wallace presented and reviewed with the Board the Resolution Requesting Estimate of Value From the Harris County Appraisal District, a copy of which is attached hereto as an exhibit. Upon motion duly made and seconded, the Board voted unanimously to approve the Resolution Requesting Estimate of Value From the Harris County Appraisal District. Ms. Flores informed the Board that rollback taxes were received from DR Horton.

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

ENGINEER'S REPORT

Joshua Lee presented the Engineer's report, a copy of which is attached hereto as an exhibit. He reported that the Attorneys are working with Bryan Frenchak to execute the deed on the property for the future 3 acre Water Plant No. 3 site. A discussion ensued among the Board regarding coordination of construction of the new hydrotank at Water Plant No. 2. Mr. Sheffield agreed to review the matter with the engineers.

Mr. Lee next reviewed the status of the Wastewater Treatment Plant No. 2 expansion. He informed the Board that three bids were received on the detention mitigation, with Randy Roan Construction, Inc. submitting the low bid in the amount of \$336,041.50. Mr. Lee reported that the BLD Gosling project will share in the outfall system based on acreage. He stated that the total shared storm sewer outfall cost is \$121,660, with \$102,200 of the cost allocated to BLD Gosling. Mr. Wallace agreed to prepare a Cost Sharing Agreement, and the Bookkeeper will issue an invoice. Mr. Lee noted that the remainder of the funds will be paid out of the Wastewater Treatment Plant Expansion Fund.

Mr. Lee next reported that the Engineers met with the District's Financial Advisor and Attorneys to address consultant comments on Bond Application Report No. 14. He stated that he expects to file the report with the Texas Commission on Environmental Quality ("TCEQ") in June 2014. Mr. Lee reported that the estimated cost of the Wastewater Treatment Plant expansion and Water Plant No. 2 hydrotank will be \$4,460,000.

Ms. Bartholomew reviewed the cash flow schedules, and stated that the report will be submitted on no growth, although a large amount of growth is expected. She noted the debt service rate is \$0.36 presently, calculated on 2013 value. She stated the tax increase will be reported to the TCEQ. However, the District will have enough value by January 1, 2015 to support the bond issuance with taxes. She informed the Board that a \$435 million projected value is needed to keep the tax rate the same, but the District will not need the full development of projects currently underway to meet this value. Mr. Lee informed the Board that the bond application will be filed in June 2014, and the Bond Anticipation Note will be sold in July 2014 to fund the District's share of the plant. Ms. Bartholomew stated that the Bond Anticipation Note is good for one year, with a ten day call feature. Mr. Lee noted that he will revise the numbers when bids are taken on the construction project. Mr. Lee said that he cannot address timing of the water re-use project until these obligations are determined. Director Braden stated he wants to participate in future financing meetings. The Board determined they want to discuss

future financings. Director Black noted he will be out for the regular June meeting. Ms. Bartholomew informed the Board she needs to update numbers in a month, and will have to wait until the Harris County Appraisal District releases the 2014 preliminary values. She anticipates presenting revised calculations at the July 7, 2014 recreational meeting.

Mr. Lee presented and reviewed a spreadsheet summarizing estimated construction costs of the Wastewater Treatment Plant expansion funding. He noted that the costs will be allocated among the eight participants in the Plant, and Mr. Frenchak has committed to fund by July 1, 2014. Mr. Lee stated he will need to determine if the \$375,000 cash deposited by Paul Cheng was assumed by DR Horton, or pro-rated with SC Waterford Springs. He reported Constructability, Inc. software helps engineers determine cost savings and maintain a tighter time schedule. Mr. Lee noted the cost for the software is \$22,000, and contractor reviews have been very favorable. A discussion ensued among the Board regarding the need to accomplish these projects on a quick turn-around, prior to bidding. Upon motion duly made and seconded, the Board voted unanimously to proceed with the proposal from Constructability, Inc.

Mr. Lee stated he is waiting on receipt of the \$15,000 deposit prior to beginning work on the Willow Creek Water Re-Use feasibility study. He informed the Board that CenterPoint Energy requires a blanket easement across the Wastewater Treatment Plant No. 2 tract to provide electrical service to the proposed Wastewater Treatment Plant on the north side of Dovershire Road. Mr. Lee noted the easement will be abandoned and a site specific easement will be prepared and dedicated to CenterPoint Energy once the new service pole is installed. Upon motion duly made and seconded, the Board voted unanimously to approve the easements for electrical service.

Upon motion duly made and seconded, the Board voted unanimously to approve all pay estimates and change orders described on the Engineer's report.

Following discussion, upon motion duly made and seconded, the Board voted unanimously to authorize the Engineer to advertise for bids on the Wastewater Treatment Plant expansion project.

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

DEVELOPERS' REPORTS

Mr. Wallace reported the DR Horton §§ 1 and 2 are delivered, and construction of the homes has begun. He stated that two models are open, and the developer expects to start construction of four to five homes per week. Mr. Wallace noted the fencing and entry monument are currently under construction, and the dirt work and clearing for §§ 3, 6 and 7 is going forward. He informed the Board the developer wants authorization to advertise for bids for paving in § 3, and paving and water, sewer and drainage in §§ 4 and 5. Mr. Wallace noted that trash service is part of the District's water service, so Mr. Hlozek will need to coordinate with Mr. Sheffield and Texas Trash to set up service. Director Braden stated he wants to learn about Homeowners Associations for all developments, and the scope of maintenance responsibilities.

A discussion ensued among the Board regarding the use of the District's recreational facilities, since the current Development Financing Agreement with DR Horton excludes the residents' use of the facilities. Director Braden stated the Board should discuss this further, since the taxpayers should have some rights to use the facilities. He noted the Board needs to coordinate and discuss the capacity of the facilities. Mr. Wallace stated the District does not have similar restrictions on other residential developments, so the Board should consider user fees to possibly regulate use of the facilities. It was determined that the Board should schedule a meeting to discuss the long range recreational plan, and the meeting was tentatively scheduled for September.

DRAINAGE MAINTENANCE ISSUES

Mr. Wallace presented and reviewed a draft form of the Detention Pond Maintenance Agreement ("Agreement"). He stated the Agreement specifies the developer is responsible for all maintenance and repairs to all structures, as well as seeding, planting and fertilizing. Mr. Wallace noted that mowing is excluded from the Agreement, and the District retains the right to make repairs and backcharge the developer. He informed the Board that the Agreement may be assigned to an HOA at a future date. Mr. Wallace stated the Board should consider the alternatives and negotiate the Agreements. Mr. Hlozek suggested that ownership of the pond should be in the District's name because the District creates the mowing schedule. He noted the District should have a secondary agreement with the HOA, who will perform extra mowing and landscaping. The District will reimburse for standard maintenance of the pond, which can be used for multiple purposes. It was noted the Board wants the maintenance program in all subdivisions to be consistent. Director Braden stated the District should control the maintenance process. Mr. Sheffield suggested the District should maintain all of the ponds.

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

Secretary, Board of Directors

(SEAL)