

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS' MEETING**

January 26, 2016

THE STATE OF TEXAS §
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COUNTY OF TRAVIS §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on January 26, 2016, at the Wells Branch Tech Center, 1421 Wells Branch Parkway, Suite 106, Pflugerville, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the notice is attached as **Exhibit "A"**.

The following members of the Board were present, constituting a quorum:

Brenda Richter	-	Vice President
Chris Capers	-	Assistant Secretary
Felix Amaro	-	Treasurer

Director Robin Campbell and Director Kathy Haught were absent. Also present at the meeting were Mona Oliver, the District's on-site manager and covenant administrator; District employee Earnest Robles; Robert Anderson of Crossroads Utility Services, LLC ("Crossroads"); Allen Douthitt of Bott & Douthitt, PLLC; Richard Fadal of TexaScapes, Inc. ("TexaScapes"); Deputy Oscar Gonzales of the Travis County Sheriff's Department; Lee Hill, Ron Rayburn, Susie Wallace and Jennifer Schmidt, residents of the District; Mark Vrael, guest of Director Richter; Joe Petronis of Wells Branch Municipal Utility District; and Sue Brooks Littlefield of Armbrust & Brown, PLLC ("A&B").

Director Richter called the meeting to order at 5:45 p.m. and stated that the Board would first receive resident communications and Board member announcements. Mr. Rayburn addressed the Board and stated that he lived at 1717 Darjeeling Drive. He explained that there was a house across the street from him that had been rented out since June, noting that the Wildflower Homeowner's Association ("Wildflower HOA") didn't allow repairs to vehicles in public, yet these individuals worked on vehicles from 5:00 p.m. to 2:00 a.m., including welding, hammering and revving engines. He added that he felt it was even worse because companies were bringing in flat bed trailers and delivering vehicles to the house, and exchanging invoices for the vehicles so he believed the residents were taking vehicles in from auto sales and operating a business at the residence. The Board requested that Deputy Gonzales drive by the residence in the evening to observe the activities and Director Richter suggested that the Board refer this matter and the complaint regarding 303 Segovia Way to the Covenant Subcommittee and authorize it to proceed with appropriate action. Ms. Wallace stated that she was with the Wildflower HOA and asked about the home at 303 Segovia and Ms. Oliver responded that that address was outside of Wildflower, but within the District's jurisdiction. Upon motion by Director Capers and second by Director Amaro, the Board authorized the Covenant Subcommittee to proceed with enforcement action in connection with apparent covenant violations on Darjeeling Drive and Segovia Way.

Director Richter stated that the Board would next consider the consent items on the Board's meeting agenda: the minutes of the December 15, 2015 Board meeting; the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "B"**; the Resolution Confirming Annual Review of Code of Ethics and Financial Investment, Travel and Professional Services Policy, Investment Strategies and Amending List of Qualified Brokers attached as **Exhibit "C"**; and the American Institute of Certified Public Accounts Engagement Letter attached as **Exhibit "D"**. Upon motion by Director Capers and second by Director Amaro, the Board voted unanimously to approve the consent items.

Director Richter stated that the Board would next discuss the audit of the District's financial statements for the fiscal year ended September 30, 2015. Mr. Douthitt advised the Board that Director Campbell and Director Amaro had met with Mr. Toldan to review the audit, attached as **Exhibit "E"**. Director Amaro stated that the auditor's opinion was the highest quality of opinion that could be issued by an auditor. He stated that Mr. Toldan had noted that FS1 indicated that the District's capital projects fund would not be an open column. Mr. Douthitt pointed out that those funds had been used for major projects like the force main repair that were temporary in nature. Director Amaro also stated that, while the fund balance appeared to be slightly less than the prior year, the report didn't take into account the use of surplus bond funds or the issuance of the refunding bonds, and that this change did not indicate a need to adjust the cash on hand. Director Amaro added that Mr. Toldan had stated that the District's books were one of the best sets that his company had reviewed. After discussion, upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the audit report and the representation letter attached as **Exhibit "F"** and to authorize filing of the audit report. Director Amaro stated that Mr. Toldan would provide the audit report electronically for posting on the website.

Director Richter then stated that the Board would receive the security report and recognized Deputy Gonzalez. Deputy Gonzalez reported that December had a high property crime rate, but stated that the good news was a ring of eight people who had been breaking into vehicles had been arrested. He added that this had helped solve some unresolved aggravated robberies in the Austin area, as the vehicle in which the individuals were riding had been stolen and, when it was recovered, the police had found evidence of the robberies in the vehicle. He noted that the robbers had been both adults and juveniles. Deputy Gonzalez also stated that about half of the criminal activity in December was due to this group and that there had been a significant drop in property crime after their arrests. He stated that these criminals had been apparent gang members and noted that he was working on charging them with organized crime, which was a third degree felony. Director Amaro reported that the Security Subcommittee had not met since the prior month.

Director Richter stated that the Board would next receive the landscape maintenance report and recognized Mr. Fadal. Mr. Fadal presented the plant of the month, Mountain Cedar, noting that pollen from the male plant was a problem that affected many residents. He stated that the tree was actually an Ashe Juniper. He then reviewed the landscape maintenance report, attached as **Exhibit "G"**, and reviewed the winter maintenance activities performed by his crews. He stated that the overseeding and composting of the soccer fields had been completed and the fields were ready to be

opened for use. Director Richter stated that Parks Subcommittee had done a tour to review the work needed for the MS4 permit. She commended the District staff and TexaScapes' crew for their work on the parks, noting that everything looked very beautiful. Mr. Fadal stated that the staff and his crew worked very well together.

Director Richter then stated that the Board would receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver called the Board's attention to her monthly report, attached as **Exhibit "H"**. She stated that she was finishing the insurance forms for the Texas Municipal League Intergovernmental Risk Pool ("TML") and noted that there had been an extension on the filing date. Director Amaro stated that this form was to assure the staff was not subject to a penalty for failure to have the required health insurance. Ms. Oliver stated that TML had a subcontractor working on entering all of the data and had provided information for verification, and that the information would then be provided to the employees. Director Amaro stated that he would meet with Ms. Oliver to review paperwork and provide an electronic signature. Ms. Oliver noted that there had been a few cases of graffiti that had been promptly reported. Ms. Oliver then reviewed the covenant report, noting that two of the violations were related to the reported business operations that had previously been discussed. Ms. Oliver then presented the purchase request, attached as **Exhibit "I"**, to replace four fence panels. Upon motion by Director Capers and second by Director Amaro, the Board voted unanimously to approve the purchase request. Director Richter asked how long it would take to make the repair and Ms. Oliver responded that she would make it a priority on her list. Director Amaro asked how the District was doing on the back-up supply of panels and Ms. Oliver responded that there were still a few in backstock. She also stated that the District would be reimbursed for the cost of the panels through USAA insurance. Director Capers reported that he would tour Texas Disposal System's site on March 14th at 11:00 a.m. and that the entire Board was invited to attend. The Board agreed that it preferred that only the subcommittee attend to avoid potential Open Meetings Act issues.

Ms. Oliver reported that the first well inspection was complete and had gone well. She stated that the contractor had provided a maintenance checklist for the District staff to perform, which they had been following for several months.

Director Richter then reminded the Board that the CASE conference was scheduled for June and that the Board members and Ms. Oliver were traditionally authorized to attend. Director Capers moved to authorize Ms. Oliver and any Board member who wished to attend to do so. Upon second by Director Amaro, the motion was unanimously adopted.

Director Richter stated that the Board would next receive a report from the District's Compensation Subcommittee. Director Amaro reported that the Compensation Subcommittee had met and reviewed Ms. Oliver's evaluations and was prepared to make a recommendation for a 3% increase in Ms. Oliver's salary. He added that the Subcommittee intended to look at comparables for 2016, to identify a low, mid and high range for the job responsibilities, which he noted had now been identified. Director Amaro moved approval of the recommended salary increase. Upon second by Director Capers, the motion was unanimously adopted.

Director Richter stated that the Board would next discuss park matters. She noted that the Parks Subcommittee had approved the expenditure of \$800 for the extension of a ramp to facilitate maintenance crews' access to the pond. Mr. Foster stated that this work had been completed.

Director Richter then recognized Mr. Foster, who presented his report, attached as **Exhibit "J"**. Mr. Foster stated that he had received plans from Village @ Northtown, but was still waiting to receive the required escrow. He added that his comments from 2014 were only now being addressed. In connection with the District's MS4 permit, Mr. Foster reported that the ponds were in very good shape noting that, in the past, they had used smaller rocks but the storms had dissipated these. He stated that the first maintenance proposal was to have TexaScapes install some big bull rock and presented the proposal attached as **Exhibit "K"** and the proposal to remove and replace the sand filter in the old water quality pond attached as **Exhibit "L"**. He noted that this was routine maintenance. Director Richter added that it had been seven or eight years since this had been done. Upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the two proposals. Mr. Foster then presented the invoices attached as **Exhibits "M"** and **"N"** and requested approval. Upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the invoices. Mr. Foster stated that the annual MS4 report had been filed on December 15th, but that there had been some confusion at TCEQ about when the reports were due and so, going forward, the reports would be due in March, which was 90 days after the end of the general permit date. He stated that the trail project would be completed by the date of the next Board meeting and presented Pay Estimate No. 4 in the amount of \$76,565.34, attached as **Exhibit "O"**, for the trail improvements and maintenance and recommended approval. He also presented Change Order No. 3 for the 50-Acre Park Incidental Work noting that this was a scope change only and reminded the Board that it only added time and was being provided for information purposes only. Upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the Pay Estimate and Change Order.

Director Richter then recognized Mr. Douthitt, who presented the updated cash activity report attached as **Exhibit "P"**. Mr. Douthitt recommended approval of a transfer in the amount of \$17,800 from the District's operating account to the manager's account and a transfer from the District's operating account to the TexPool operating account in the amount of \$300,000. He reviewed the Director and vendor payments and fund transfers that were being presented for approval. Mr. Douthitt called the Board's attention to the additional payments that had been added to the report since the packet date and to the payments that had been made out of the manager's account since the last Board meeting, noting that these included deposit refunds and petty cash reimbursements. He pointed out that the semi-annual payments were coming due on the District's bonds as summarized on page one of his report. Mr. Douthitt reviewed the payments he was presenting for approval, noting that the per diems to Director Campbell and Director Haught would be voided due to their absence. Mr. Douthitt stated that the District was still running slightly ahead of plan to date. He stated that the District's wholesale water and wastewater rates had gone down slightly. Upon motion by Director Capers and second by Director Amaro, the Board voted unanimously to approve the payment of the bills and invoices, the bond payments, and the transfers as recommended.

Director Richter then recognized Mr. Anderson for purposes of receiving the general manager's report. Mr. Anderson noted that the District currently had 2,951 occupied single-family connections, a total of 3,839 accounts, and an estimated population of 10,098. He added that the District had satisfactory lab results for its water samples and had a reported 19.59% water loss during the prior reporting period. Mr. Anderson stated that he had completed research on the water loss and found an error on one of the master meter readings and that, with this correction, the lost water percentage was reduced to 12.6% and to an average of 6.9% over the past three months. He stated that there had been two fairly large, very deep leaks on services repaired in the last week. He stated that, if the loss factor started increasing, he would recommend a leak study. Mr. Anderson then called the Board's attention to the write-offs set forth on the list attached as **Exhibit "Q"** and recommended approval. Upon motion by Director Capers and second by Director Amaro, the Board voted unanimously to approve the write-offs.

Director Richter then reported that she and other representatives of the wholesale rate protestants had appeared again at a City Council meeting, and stated that Councilmember Zimmerman had made it clear that he was not happy that City staff had pursued a rehearing at the Public Utility Commission ("PUC") without Council approval and had not provided the information he had previously requested. She noted that the PUC had lowered the wholesale rates even further and that this had occurred concurrently with their appearance at the Council meeting. Director Richter stated that she and Don Conklin had also spoken at the City's Water Subcommittee meeting and that meeting had also gone very well. She stated that she understood Councilmember Zimmerman had posted a resolution that the City not move forward with any further action in connection with the rate appeal and accept the PUC ruling. Mr. Hill stated that Councilmember Zimmerman was a strong municipal utility district advocate. Director Richter stated that another press release on the rate appeal would be going out soon.

Director Richter noted that there were no developers and landowners present wishing to address the Board.

There being no further business to come before the Board, upon motion by Director Capers and second by Director Amaro, the Board voted unanimously to adjourn the meeting.

Date: February 23, 2016

(SEAL)

Kathy Haught, Secretary
Board of Directors