

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

January 27, 2009

THE STATE OF TEXAS           §  
  §  
COUNTY OF TRAVIS           §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on January 27, 2009, at the Wells Branch Community Center, 2106 Klattenhoff Drive, Austin, 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 roll was called of the members of the Board:

Robin Campbell	-	President
Brenda Richter	-	Vice President
William E. Henderson	-	Treasurer
Scott M. Gray	-	Secretary
Alex Martinez	-	Assistant Secretary

and all of the Directors were present, except Director Richter, who arrived later, and Director Martinez, thus constituting a quorum. Also present at the meeting were Sam Jones of Sam Jones Consulting, Inc.; Sharon Smith and Jimmy Romell of Maxwell Locke and Ritter, L.L.P.; Jodie Draine, a resident of the District; Mike Morin of SWWC Services, Inc.; Don Williams, Mona Oliver and Jesse Kennis of Wells Branch Municipal Utility District; Scott Foster of Kimley-Horn and Associates, Inc.; Richard Fadal of TexaScapes, Inc.; Deputy Keith Kinnard of the Travis County Sheriff Department and his canine partner, Cora, and Sue Brooks Littlefield of Armbrust & Brown, L.L.P. Cheryl Allen of Southwest Securities arrived later.

Director Campbell called the meeting to order at 5:45 p.m., and stated that the Board would first consider approving the consent items on the Board's meeting agenda: the minutes of the December 16, 2008 Board meeting; the Amended Order Establishing Service Rates, Charges and Tap Fees and Adopting Rules and Policies with Respect to the District's Water, Wastewater and Drainage Systems attached as **Exhibit "B"** and the Resolution Requesting Updated Appraised Value attached as **Exhibit "C"**. Upon motion by Director Gray and second by Director Henderson, the Board voted unanimously to approve the consent items.

Director Campbell then recognized Deputy Kinnard, for purposes of receiving the security report. Deputy Kinnard reported that burglaries of vehicles had increased, while burglaries of residences were down. He stated that criminal mischief and domestic disturbances had also increased. Deputy Kinnard noted that there had been some problems recently with auto thefts and that these seemed concentrated in the Brookfield neighborhood, although crime had increased county-wide due to the economic times. Ms. Littlefield then presented the Agreement with Regard to Use of Vehicles in Connection with Off Duty Employment of County Peace Officers attached as **Exhibit "D"** and the Vendor Request for Secondary Employment of Law Enforcement attached as **Exhibit "E"**, noting that Deputy Kinnard had requested that these be

approved in order to authorize patrol services on behalf of the District for the calendar year 2009. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the two agreements, as presented. Deputy Kinnard reported that an additional deputy was now patrolling in the District, Deputy Littlepage. He also reported that the County had towed a vehicle which had been parked off of Harris Ridge for some period of time, and that the owner had reacted quite angrily.

Director Campbell then inquired whether anyone was present who wished to address the Board and, there being no one, recognized Ms. Smith and Mr. Romell, for purposes of presenting the audit of the District's financial statements for the fiscal year ended September 30, 2008. Mr. Romell presented the audit report attached as **Exhibit "F"** and noted that the report included a report on internal controls which was a general communication with the Board. He stated that the final report differed slightly from the draft which had been included in the Board's meeting packet, noting that capital recovery fees had decreased from the amount included in the draft. He stated that most of the other changes were contained in the supplemental notes. Mr. Romell advised the Board that his firm's opinion was an unqualified or clean opinion, and noted that the District's fund balance was currently \$7.3 million. He stated that this had increased \$1.6 million for the fiscal year ended 2008, and stated that the comparison of budgeted to actual expenses showed that revenues had exceeded budgeted figures, while expenses were down, primarily due to lower capital outlays. He pointed out that the notes provided more detailed information regarding the financial statements, and stated that there had been no significant changes. He called the Board's attention to the supplemental schedules contained in the audit report, noting that these were not required by law, but were included at the request of the District's financial advisor. He pointed out that one column was not yet complete and that he was waiting for some information from the District's financial advisor to complete that schedule. Ms. Littlefield noted that Ms. Allen had asked Maxwell Locke & Ritter, L.L.P. to complete this schedule, which was required in order to comply with the District's bond covenants. Ms. Smith agreed, and recommended that the Board approve the audit report, pending finalization of the schedule with the information to be provided by Ms. Allen. She noted that the letter reporting on internal controls had not noted any material weaknesses. Ms. Smith advised the Board that her firm had experienced some difficulty in dealing with Municipal Accounts & Consulting, L.L.P. and also pointed out that the District's financial statements had not been furnished timely, which had caused her firm to get the draft audit out later than it had hoped. She also requested approval of the representation letter attached as **Exhibit "G"**. Ms. Littlefield noted that she had requested some changes to the form of the representation letter from the one that was included in the Board's meeting packet, and recommended approval of the representation letter in its revised form. She explained that the representation letter included a representation that the Board members were unaware of any fraudulent activities, but also affirmatively stated that the Board members were relying on representations from the District's consultants in making their representations. Ms. Smith noted that several adjusted journal entries had been recommended, and Mr. Douthitt stated that he had not yet reviewed these. After discussion, Director Richter moved that the Board approve the audit, subject to the finalization of the schedule to be completed with information to be provided by Ms. Allen and Mr. Douthitt's agreement with the adjusted journal entries, and approve the representation letter, as revised. Upon second by Director Henderson, the motion was unanimously adopted.

Director Campbell then noted that there were several new arrivals at the meeting, and asked if there were any additional citizens' communications. Ms. Draine addressed the Board,

stating that she was a resident at 613 Tudor House, and had experienced a billing problem which she wished to bring to the Board's attention. She stated that she had received a disconnect notice, and had been unable to make a credit card payment the previous evening. She stated that, at 8:00 a.m., she had made a payment, but that she had still been disconnected at 1:30 p.m. She stated that she had been told that she would have to pay a \$150 additional deposit and a \$40 reconnect fee, which she felt was unfair. She added that she had experienced numerous problems with the District's management company. Director Campbell asked that she explain the problems which she had experienced, and she responded that she had previously left town, had gotten a \$140 bill of which she had paid \$100, and had been disconnected because she did not pay the additional \$40. She also stated that, when she made her payment at 8:00 a.m., she had paid most of her bill and only left a balance of \$22. Director Campbell explained that the District's bills had a due date and, if the bill was not paid by the due date, then a termination notice was given and the customer would be cut-off by the termination date contained in that notice unless payment was made in full. He stated that the District's Board gave the management company wide latitude to enter into payment arrangements with customers, but, unless an agreement was in place, service would be disconnected on the termination date unless payment in full was made. He explained that an additional security deposit was required because of continued incidents of customer write-offs, which occurred when customers did not pay their bills and left the District. He noted that the Board was being presented with \$3,000 in write-offs at this meeting. He also explained that, when some residents moved out without paying their bills, the loss was borne by all of the other residents in the District. He stated that, if a customer was not able to pay on time, it was important that the customer communicate with the District's manager. Ms. Draine stated that her sister had been very ill, and that her nieces and nephews were currently living with her. She added that she had been in her house five years, and was not going anywhere. Director Richter inquired whether she owned her home and she responded that she did not, but was leasing with an option to buy. Director Richter inquired whether Mr. Morin had had conversations with Ms. Draine in the past regarding her bills, and Mr. Morin stated that he had not. Director Campbell then asked Ms. Draine what relief she was seeking, stating that he understood that she did not think it was fair that she was being asked to pay a \$150 security deposit. Director Richter explained that the \$40 disconnect fee was charged because the disconnect process had costs associated with it. She stated that, if a bill was not paid before the termination date, the \$40 charge was incurred by the District, and was passed-through to the resident who caused the District to incur the charge. Mr. Morin then explained that the District now had a new system implemented which would allow automated credit card payments, which was designed to reduce waits on the telephone. He stated that this had not previously been available, but would be available on a going-forward basis, so that after hours payments could be made. He confirmed that Ms. Draine's termination notice had stated that service would be disconnected unless payment in full was made by 5:00 p.m. on the previous day. He also noted that the District had experienced 117 cut-offs earlier in the day, and stated that the terminations had begun to be processed the previous day. He acknowledged that a partial payment had been made earlier in the day, but stated that the order for the disconnection had already been given by that time. Ms. Draine stated that she had placed money orders in the District's drop box after hours and not been cut off, and Mr. Morin confirmed that he accepted late payments and pulled disconnection orders when it was possible to do so. Director Campbell stated that he did not see that there was anything that the Board could do, as there was no evidence that Ms. Draine had made any effort to communicate with Mr. Morin regarding her account prior to the termination deadline and she had not made any payment until after the cut-off time contained in the notice. At this time Ms. Draine left the meeting.

Director Campbell then recognized Mr. Williams, for purposes of receiving a report under the Interlocal Agreement with Wells Branch Municipal Utility District. Mr. Williams reported that maintenance was going well, and that the District had experienced a lot of graffiti. Director Richter concurred, noting that the bridge had been hit hard and the Park Subcommittee had authorized Mr. Williams to paint over the graffiti. Mr. Williams stated that the dirt on site had been consolidated and that 30 loads of mulch had been spread. He then presented the fence bid attached as **Exhibit "H"** and reviewed it with the Board. He pointed out that the low bidder was Fencecrete, and Director Richter asked if it was the Board's decision as to how much fencing to install. Mr. Williams responded that it was, noting that he had solicited bids in order to allow both Wells Branch Municipal Utility District and the District to do whatever additional fencing work was required based on a linear-foot price. After discussion, Director Richter moved that the Board accept the bid price of Fencecrete, and authorize a contract to be finalized by the Park Subcommittee, which would include the commercial garden in the 50-acre park, the back side of the mobile home park, the area of Meadow Point adjacent to Howard Lane and down Greinert, and the area along Howard Lane in front of the District. She pointed out that the fence around the garden was a part of the District's grant. Mr. Williams noted that the price would be locked in for two years. After discussion, Director Gray stated that he would second the motion with the understanding that the Board was authorizing the fence around the garden, but that the Park Subcommittee would come back with the linear footage on the additional areas for approval by the Board before proceeding. Director Richter accepted Director Gray's proposal as an amendment to her motion, and the motion, as amended, was unanimously adopted by the Board.

The Board then briefly discussed a mural painted on the garage door at 13807 Camborne Drive, and Ms. Littlefield explained that, at present, the District had only received anonymous complaints and had not received any complaints by residents willing to testify in court, which would be required in order to proceed with legal action. After discussion, no action was taken. Director Richter stated that she had driven through Wildflower several times recently and that, although there was still work to be done, it did look much better.

Director Campbell then stated that the Board would consider taking action regarding park development matters. Director Richter reported that the Park Subcommittee was working to schedule a meeting with Mr. Williams, Mr. Kennis and the Wells Branch Administrative Committee to work out some contractual issues. She stated that she anticipated that, by the next meeting, the Park Subcommittee would be able to provide a detailed budget and timeline for the future park improvements. She noted that she had just received the project list attached as **Exhibit "I"** from Mr. Williams, and noted that she would try to have this in the packet in the future. She stated that the Park Subcommittee was working with the Wells Branch staff to improve communications regarding the District's park projects.

Mr. Foster then presented the proposed contract amendment attached as **Exhibit "J"** and reviewed it with the Board. Ms. Littlefield pointed out that this amendment included the geotechnical work which had previously been authorized by the Board, some survey work and some additional services by Mr. Foster. After discussion, Director Richter moved that the Board approve the amendment as presented. Upon second by Director Gray, the motion was unanimously adopted. Director Campbell inquired as to the sleeving plan which was referenced in Mr. Foster's proposal, and Mr. Foster explained that this was intended to provide conduits for future utilities, lighting and irrigation under the parking lot. Director Richter stressed that, in

order for these sleeves to be useful, it would be absolutely critical to have accurate “as built” plans and Mr. Foster concurred.

Director Richter then explained that TBG Landscape Architects would be completing the District’s updated park master plan on February 11, and stated that she was requesting that this be presented to the Board at its February meeting, at which time the Park Subcommittee would be seeking approval of the updated master plan and authorization to proceed with the necessary site plan applications and approvals in order to implement the plan.

Director Campbell then recognized Mr. Fadal, for purposes of receiving the landscape maintenance report. Mr. Fadal reviewed his report, attached as **Exhibit “K”**, and explained that his crews had completed some processes to remove invasive plants within the District’s park areas, and had also done some clean-up in the District’s dry ponds. Director Richter stated that the park areas were looking very nice, and commended Mr. Fadal’s staff as well as the Wells Branch maintenance crews. Mr. Fadal stated that ongoing landscape maintenance was going well.

Director Campbell then recognized Mr. Jones, for purposes of receiving a report from the District’s engineer. Mr. Jones reported that the District had received the Texas Commission on Environmental Quality’s order approving the District’s bond application. He stated that the ITT Water and Wastewater USA contract had been completed, and the contractor was presenting its final pay estimate for the addition of the lift station impeller upgrade, a copy of which is attached as **Exhibit “L”**. Mr. Morin stated that he was satisfied with the work, and Mr. Jones recommended approval of the pay estimate. Upon motion by Director Richter and second by Director Henderson, the Board voted to approve the pay estimate, as recommended. Mr. Jones then reported that he was waiting on the City’s final inspection of the work performed under the Keystone Construction contract, and noted that this contract would complete the connection to the District’s lift station. Director Richter inquired as to how service would be initiated to the mobile home park, and Mr. Jones responded that it would be necessary to pull the plug to the District’s line and reverse the flows from the Dessau Utilities’ plant. He stated that, once the conversion was made, he would proceed with the sidewalk repairs in Parkside. In response to a question from the Board, he confirmed that Dessau Utilities would be paying for the cost of this work. He stated that he would coordinate the repairs with Mr. Carlton of Ms. Littlefield’s office once it was determined what repairs needed to be made. Mr. Jones then advised the Board that he had investigated the erosion at the Wildflower Creek spillway, as requested by Director Richter, and had provided the response attached as **Exhibit “M”**. Director Richter inquired as to the timeline for completing the repairs, and Mr. Jones stated that he had not told Mr. Williams to proceed with the work at this time. After discussion, the Board concurred that it wished to direct Wells Branch Municipal Utility District to make the repairs as recommended by Mr. Jones. Mr. Kennis stated that he would take this as a directive from the Board, and see that the work was performed. Mr. Jones then reported that the waterline required to connect Settler’s Meadow to the City of Austin’s water system was under construction, and that the second phase should be completed later in the month. He stated that the wastewater line was complete, and that wastewater service was now being provided to Settler’s Meadow through the City of Austin’s facilities. He presented Pay Estimate No. 3 for the wastewater project, a copy of which is attached as **Exhibit “N”**. Ms. Littlefield inquired when the water facilities would be available for connecting Settler’s Meadow to the City of Austin’s water system, and Mr. Jones stated that he was not sure that the City would allow this to occur until the project was completed and

accepted. Ms. Littlefield stated that she understood that Austin was interested in switching the subdivision over to Austin utilities as soon as possible. Ms. Littlefield then advised the Board that Austin had requested that the District release the capital recovery fees which had been escrowed for Settler's Meadow during the time that Pflugerville was providing interim water and wastewater services. She pointed out that the parties had not anticipated that wastewater service would be initiated first, but she believed it would be appropriate to release the impact fees, provided that a letter was sent along with the disbursement confirming that this included both the water and wastewater impact fees and no additional funds were due. After discussion, Director Richter moved that the Board authorize Mr. Douthitt to wire transfer the Settler's Meadow impact fees to the City of Austin, with a transmittal letter confirming that the payment was being made under the Interlocal Agreement and included both the water and wastewater capital recovery fees. Upon second by Director Gray, the motion was unanimously adopted. Director Henderson then moved that the Board approve Pay Estimate No. 3 for the Settler's Meadow Wastewater Line Project and, upon second by Director Richter, the motion was unanimously adopted.

Director Campbell then recognized Mr. Douthitt, for purposes of receiving a report from the District's bookkeeper. Mr. Douthitt presented the updated cash activity report attached as **Exhibit "O"**, and reviewed it with the Board. He pointed out that the report included some additional payments which had been added since the date the Board's meeting packet had gone out. He noted that these additional payments included the payment to ITT for the lift station upgrade, which had previously been authorized. After discussion, upon motion by Director Henderson and second by Director Richter, the Board voted unanimously to approve the payment of the bills and invoices as set forth on the updated cash activity report, with the exception of the per diem check to Director Martinez, which would be voided due to his absence from the meeting. Mr. Douthitt also presented the check registers for the manager's account and park account, and requested approval of the revised Secretary's Certificate and Resolutions Regarding Manager's Account which would allow his firm to issue checks for amounts up to \$3,000, with two signatures. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the revised Secretary's Certificate and Resolutions Regarding Manager's Account attached as **Exhibit "P"**.

Mr. Douthitt then reviewed the proposed transfers, as set forth on **Exhibit "Q"**. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the transfers.

Mr. Douthitt then presented the investment report attached as **Exhibit "R"**, and the Board discussed the fact that interest rates had dropped significantly. Ms. Allen pointed out that some community banks had asked for the District's deposits, and she believed that it would be possible to negotiate better interest rates if the Board wished to make deposits with some of these local banks. After discussion, the Board agreed that Mr. Douthitt should investigate these investment alternatives and, upon motion by Director Richter and second by Director Henderson, voted unanimously to approve the investment report. Mr. Douthitt reported that he had received a payment for a fine from DR Horton, and had also received a payment from Tech Ridge to establish the escrow which had been required in order to proceed with the interlocal agreement. Mr. Morin then advised the Board that it appeared that some security deposit refund checks had not been received by customers, although they had been issued by the District. He pointed out that, due to delays between the time information came into his office, was transmitted to Mr.

Douthitt, and a Board meeting was held, it could take up to two months for a customer to receive a deposit refund. He stated that he would like to work with Mr. Douthitt on procedures which would allow them to deal with the missing refund checks, and also to develop a procedure to provide more timely refunds in the future. Mr. Douthitt explained that SWWC Service's process to close District service accounts did not allow the information to go to the invoice review committee in order to be presented to the Board at its next regular meeting. After discussion, the Board agreed that the deposit checks which were missing should be reissued if the original checks had not cleared, provided that stop payments were placed on the original checks. The Board also agreed that Mr. Douthitt, Mr. Morin and Director Henderson should work together to develop a proposed protocol for dealing with security deposit refunds on a going-forward basis. Mr. Morin then reported that Tech Ridge was current on its account, and stated that the past-due penalties were still accruing penalties. The Board directed Mr. Morin that the penalties had been abated and, therefore, should not accrue additional penalties. The Board then discussed the proposed interlocal agreement covering the Tech Ridge irrigation meters, which would allow the City of Austin to serve those two meters directly. Mr. Morin stated that he had received a request from Tech Ridge to change the names on the accounts, and would be obtaining new service applications for the new account names. Director Campbell explained that there had been some confusion over who the account holder was. He proposed that, if any account would be in a name other than the name of the actual resident of a home, the account application be required to be approved by a specific person at SWWC Services. He stated that this would insure that there was some verification regarding the identity of the account holder before any services were provided. Ms. Littlefield agreed that this was important, noting that it would be very difficult to sue a customer over an unpaid bill when it was not clear that the entity who was receiving services had actually applied for the account. Mr. Morin stated that he was looking into a separate commercial account application form, noting that the residential form which SWWC Services usually had completed did not appear to be appropriate for a commercial service holder. He stated that he would bring back the proposed form of application to the Board for review at the next Board meeting.

Mr. Morin then explained that there had been a question raised regarding the capital recovery fees collected on behalf of the City of Austin, noting that these fees had increased as of October 2007. He stated that he had determined that his company had not undercharged the builders, because all of the lots for which capital recovery fees were paid after October had been platted before the effective date of the change. He stated that the change in the fees would be effective for any lots platted in the future. Director Campbell noted that, when it had been discovered that an error might have been committed and the builders had been contacted, they had been very gracious in accepting their potential liability, and Mr. Morin agreed. Mr. Morin then briefly reviewed the 90-day receivables, noting that the largest one on the list, approximately \$800, had been paid down substantially. He presented the write-offs attached as **Exhibit "S"** and, upon motion by Director Gray and second by Director Richter, the Board voted unanimously to approve the write-offs. Mr. Morin then advised the Board that there had been an issue with the City of Pflugerville, which had briefly interrupted service to Settler's Meadow, and stated that this was due to some confusion at the time the wastewater service through the City of Austin to that subdivision was initiated. Ms. Littlefield agreed, stating that there had been a misunderstanding between the dispatcher at the City of Pflugerville, who had sent a meter reader out to read the master meter at the time the service had been changed for wastewater, noting that the meter reader had, in addition to reading the meter, turned it off. Mr. Morin stated

that the Texas Commission on Environmental Quality had not required that boil water notices be issued.

Director Campbell then recognized Ms. Littlefield, for purposes of receiving the attorney's report. Ms. Littlefield reviewed her directives from the previous Board meeting, and stated that there were no uncorrected violations of the District's Erosion Control Rules. Director Richter thanked Ms. Littlefield and Director Campbell for their assistance they had given to the Park Subcommittee over the past month.

Director Campbell inquired whether there was any report from the Recycling and Solid Waste Disposal Subcommittee, and Director Gray responded that a meeting with Texas Disposal Systems was scheduled for the following Thursday, and that the Subcommittee hoped to bring back a report to the next Board meeting.

Director Campbell then recognized Ms. Allen, in connection with the District's \$7,560,000 Unlimited Tax and Revenue Bonds, Series 2009. Ms. Allen presented the updated schedule of events and related information attached as **Exhibit "T"** and reviewed it with the Board. She stated that she was requesting approval to continue the process to obtain approval of the bond issue through the City of Austin. She stated that she expected the City's review to take the minimum of 60 days. Director Richter inquired whether the Board could still reduce the size of the issue if it determined that would be appropriate, and Ms. Allen confirmed that it could, noting that, at this time, the Board was just being asked to continue with the process. She noted that, when the Board had authorized the initial application to the Texas Commission on Environmental Quality, she had projected \$382 million in assessed value. She stated that, even with the adjustments that had been made, the District was still at \$383 million and so the value was in line with where she had anticipated the District would be. Ms. Allen indicated that she believed the District was still in good shape, even though interest rates had increased recently. After discussion, upon motion by Director Henderson and second by Director Gray, the Board voted unanimously to authorize the District's consultants to proceed with the application to the City of Austin for approval of the proposed bonds.

There being no developer's report, the meeting was adjourned at 7:30 p.m.

Date: \_\_\_\_\_.

(SEAL)

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Scott M. Gray, Secretary  
Board of Directors