NORTHTOWN MUNICIPAL UTILITY DISTRICT MINUTES OF BOARD OF DIRECTORS' MEETING

January 27, 2015

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 27, 2015, 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, constituting a quorum, were present:

Robin Campbell - President
Brenda Richter - Vice President
Kathy Haught - Secretary

Chris Capers - Assistant Secretary

Director Felix Amaro arrived later. Also present at the meeting were Mona Oliver, the District's on-site manager and covenant administrator; Robert Anderson of Crossroads Utility Services, LLC ("<u>Crossroads</u>"); Allen Douthitt of Bott & Douthitt, PLLC; Scott Foster of 360 Professional Services, Inc.; Deputy Oscar Gonzales of the Travis County Sheriff's Department; Richard Fadal of TexaScapes, Inc.; Teresa Scott-Tibbs, Alan Rivaldo, and Lee Hill, residents of the District; Debbie Campbell, guest of Director Campbell; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Campbell called the meeting to order at 5:45 p.m. and asked if there were any residents present who wished to address the Board. There being none, Director Campbell stated that the Board would consider approving the minutes of the December 16, 2014 Board meeting. Upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the minutes.

Director Campbell then stated that the Board would receive a report on the audit of the District's financial statements for the fiscal year ended September 30, 2014. Director Campbell advised the Board that he and Director Amaro, as the Audit Subcommittee, had met with Brian Toldan of McCall Gibson Swedlund Barfoot, PLLC, the District's auditor, to review the audit report. He stated that, as in the past, the District had received a clean or "unmodified" opinion, which was new terminology and meant that the audit was without reservations and an excellent report. Upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the audit report attached as **Exhibit "B"** and the representation letter attached as **Exhibit "C"**, and to authorize filing of the audit report.

Director Campbell then stated that the Board would receive the District's security report and recognized Deputy Gonzales. Deputy Gonzales stated that, in December, there had been a reduction in property crimes and he felt the marked patrol units were making a difference. He stated that the deputies were being very proactive and were excited about their jobs. He stated that December was usually a high burglary month nationwide due to the holidays, but there had only been three burglaries in the District in December. He stated that the deputies were changing the times to keep patrols unpredictable. Director Haught asked if the vehicles were all the same and Deputy Gonzales stated that they were all marked, but were all different. Mr. Douthitt reported that, beginning with this month, the District would be paying the deputies via direct deposit.

Director Campbell then stated that the Board would receive the landscape maintenance report and recognized Mr. Fadal. Mr. Fadal presented the plant of the month, which he stated was an invasive deciduous tree that negatively affected the PH of the soil in the area where it grew, Chinaberry. He stated that there was an effort to control this tree in the area. Mr. Fadal then reviewed the landscape maintenance report attached as **Exhibit "D"** and stated that all work was on target. He noted that the only problem area was the soccer fields, which he explained were not holding up well with the rainy weather and the higher traffic. He stated that this was not the right time of the year to take too much action, but, when the weather became warmer, some improvements would be needed. Director Haught asked about the issues affecting the fields as well as prior work that had been done on them and Director Richter stated that she would bring Director Haught up to speed at a subcommittee meeting.

Director Campbell stated that the Board would next receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver distributed her monthly report, attached as **Exhibit "E"**, and reviewed it with the Board. She stated that she had provided Ms. Littlefield with information on the accident that had damaged the masonry fence, and had opened a claim with Texas Municipal League Intergovernmental Risk Pool ("<u>TML</u>") and submitted the information to the contracted adjuster. She stated that TML had said it would not depreciate the fence since it had been repaired. Ms. Oliver explained that the repair had cost \$1,496, but noted that there was a \$1,000 deductible under the TML policy and so she had received a check for \$496. Ms. Oliver stated that she and Ms. Littlefield would attempt to recover the balance from the driver.

Director Campbell then recognized Mr. Foster for purposes of receiving the engineer's report. Mr. Foster presented his report, attached as **Exhibit "F"**. He stated that several development projects had been submitted for review, including the new multifamily project within the Village @ Northtown, as well as a small mixed use project at the corner of Heatherwilde and Howard. Mr. Foster stated that the District had received approval of the force main project and requested approval to release the contractor's retainage, subject to revegetation and subcommittee approval. Upon motion by Director Richter and second by Director Capers, the Board voted unanimously to authorize the release of the retainage upon revegetation and subcommittee approval, as requested. Mr. Foster stated that he expected to finalize the surplus funds application for approval at the next Board meeting. Mr. Foster also noted that the District's revised stormwater management plan had been approved by the Texas

Commission on Environmental Quality on November 5, 2014 and explained that he would provide a proposal at the February Board meeting to address the necessary implementation items.

Director Campbell then recognized Mr. Douthitt, who presented the updated bookkeeping report attached as Exhibit "G". Mr. Douthitt reviewed the Director and vendor payments that were being presented for approval and the proposed funds transfers summarized on page one of his report. Mr. Douthitt also requested approval of the bond payments that were coming due as listed on page one of his report. He called the Board's attention to the additional checks that had been added to the check register since the Board's packet date and the payments that had been made out of the manager's account since the last meeting, noting that these were largely utility payments and customer deposit refunds for the past month. He pointed out that the security patrol expenses also identified tax-related payments. Mr. Douthitt called the Board's attention to a proposed reimbursement to a customer and explained that this was a repair cost. Mr. Anderson stated that this cost was a District expense. Mr. Douthitt stated that Texas Disposal Systems had submitted two bills, one of which was for November. He also called the Board's attention to the annual regulatory assessment fee due to the Texas Commission on Environmental Quality. Upon motion by Director Richter and second by Director Haught, the Board voted to approve the payment of the bills and invoices, the transfers and the bond payments, as recommended.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager's report. Mr. Anderson presented his report, attached as **Exhibit "H"**, and reviewed it with the Board. He noted that the District currently had 2,945 occupied single-family connections and a total of 3,007 accounts and that the estimated population of the District was 9,429. He added that the District had reported an 8.24% water loss for the prior reporting period. Mr. Anderson stated that all water test results were satisfactory. He then called the Board's attention to the write-offs set forth on the list attached as **Exhibit "I"** and requested approval. Upon motion by Director Haught and second by Director Capers, the Board voted unanimously to approve the write-offs.

Mr. Anderson then reviewed his company's recommendations regarding certain maintenance and repair items, attached as **Exhibit "J"**. He explained that the lift station coating at Lift Station No. 2 was peeling off and noted that this was a difficult maintenance item to address. In response to a question from Director Haught, Mr. Anderson confirmed that recoating had never been done previously. The Board discussed alternative repair options, and Director Campbell noted that the higher cost number was the anticipated worse case unless further damage was observed when the project was undertaken. Mr. Anderson explained that effluent would eat away at the cement if the coating was not replaced. Upon motion by Director Haught and second by Director Richter, the Board voted unanimously to authorize proceeding based on the higher estimate and to authorize the Facilities Subcommittee to approve additional expenditures if necessary to make the proper repair.

Mr. Anderson then reviewed the projected costs for repairing the pump at Lift Station No. 3 and explained that there were two pumps that would need to be rebuilt. He stated that the District had a spare that was an older pump. Mr. Anderson

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recommended the complete rebuild kit for both the pump that was in the lift station as well as the spare pump that was in reserve. He stated that this repair would have a 90-day warranty. Director Amaro moved approval of the rebuild kit for both pumps. Upon second by Director Richter, the motion was unanimously adopted.

Mr. Anderson then advised the Board that the chemical storage tank at Lift Station No. 1 had been damaged by a negligent delivery that had overpressured and split the tank. He noted that the sidewalk and bull rock had been stained. He explained that the chemical supplier's salesman had said the company would cover the cost of the repair, but the company owner now claimed that the tank was substandard. Mr. Anderson stated that the tank actually exceeded the company's specifications. Mr. Anderson stated that the owner was now unwilling to stand behind what the salesman had said he was willing to do and had refused to make further chemical deliveries. Ms. Littlefield recommended that legal options be discussed in executive session. Director Haught asked what the stain looked like and Mr. Anderson responded that it was a burnt orange stain. He also noted that the chemical was a sole source chemical that could not be obtained through other vendors.

Director Campbell then stated that the Board would discuss the CASE summer conference. Director Richter reminded the Board that the CASE conference was scheduled for June 12-14, and added that the Board members and Ms. Oliver were traditionally authorized to attend. Director Richter moved to authorize Ms. Oliver and any Board member who wished to attend to do so. Upon second by Director Capers, the motion was unanimously adopted. Director Richter then requested that she and Director Haught also be authorized to attend a separate water conference and the Board concurred.

Director Campbell 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 percentage increase in Ms. Oliver's salary of 4%. He moved approval of this increase. Upon second by Director Haught, the motion was unanimously adopted.

Director Campbell then stated that the Board would discuss the City of Austin wholesale water and wastewater rates and the joint rate challenges. Director Campbell reported that he still had not been deposed in the rate case.

There being no reports from developers' and landowners' representatives, Director Campbell asked if any visitors would like to address the Board and they responded that they would not.

At 6:27 p.m. the Board convened in executive session as permitted by Section 551.071 of the Texas Government Code to receive legal advice regarding the damage to the District's chemical storage tank. The Board reconvened in open session at 6:38 p.m. and Director Campbell stated that no action was taken in executive session. Director Richter then moved that the Board authorize the Facilities Subcommittee to work with the utility manager and attorney to resolve the situation relating to the damaged

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chemical	storage	tank	and	to	obtain	the	chemical	supply	for	the	lift	station.	Upon
second by Director Haught, the motion was unanimously adopted.													

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

adjourned.			
Date:			
(SEAL)			

Kathy Haught, Secretary Board of Directors

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