

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

March 24, 2009

THE STATE OF TEXAS           §  
  §  
COUNTY OF TRAVIS           §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on March 24, 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, thus constituting a quorum. Also present at the meeting were Cheryl Allen of Southwest Securities; Alan Rivaldo, a resident of the District; Sam Jones of Sam Jones Consulting, Inc.; Mike Morin of SWWC Services, Inc.; Mona Oliver and Jesse Kennis of Wells Branch Municipal Utility District; Allen Douthitt of Peña Swayze & Co., L.L.P.; Deputy Keith Kinnard of the Travis County Sheriff Department and his canine partner, Cora; and Sue Brooks Littlefield of Armbrust & Brown, L.L.P.

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 February 24, 2009 Board meeting and the updated Secretary's Certificate and Resolutions Regarding Bookkeeper's Account attached as **Exhibit "B"**. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the consent items.

Director Campbell then stated that the Board would consider taking action regarding the District's \$7,560,000 Unlimited Tax and Revenue Bonds, Series 2009. He recognized Ms. Allen, who stated that she was present in order to update the Board on the status of the District's bond issue. She reminded the Board that the District had received approval of the bonds from the Texas Commission on Environmental Quality (the "Commission"), and stated that the City of Austin Water and Wastewater Commission had now also approved the bond issue. She stated that the bond issue was on the City Council agenda for consideration for March 26, 2009. Ms. Allen noted that the Commission's order approving the bonds stated that the initial debt service would be \$0.52, but reminded the Board that the Commission did not have the authority to determine the District's tax rate and stated that she would write a letter to the Commission confirming the necessary rate after the sale. Ms. Allen recommended that the Board conduct a special meeting to sell the bonds during the day, noting that the District would pay a higher interest rate if the Board awarded the sale at night, due to the perceived risk in holding a bid open for that period of time. Ms. Allen also explained to the Board that the District had received a

certified 2008 assessed valuation of \$382 million, but that Ms. Littlefield had recently received information indicating that the actual value would be less, approximately \$377 million, because about 30 homes located outside the District's boundaries had been included for taxing purposes by the Travis Central Appraisal District. She stated that she had made this adjustment to her projections to support the bond issue. Ms. Allen indicated that she projected that the District's total assessed value as of January 1, 2009 would be \$451 million, stating that more homes and duplexes than had been projected had been constructed, and that she had also included the apartment complex that had been completed over the past year. Ms. Allen indicated that she had received an estimate of the 2009 certified value of \$498 million from the Travis Central Appraisal District, but felt that this was a little high and would be meeting with the Appraisal District to determine the cause of the variance. Ms. Allen also advised the Board that she had assumed an interest rate on the bonds of approximately 7%, but expected that the bonds would actually sell at a rate closer to 5.25%. She distributed the comparison attached as **Exhibit "C"** and reviewed it with the Board. She stated that, even if the District sold the bonds at 7%, with the growth in the District's value, the debt service tax rate would only be \$0.52 and, with a 5.25% interest rate, the debt service tax rate would be \$0.436. Director Campbell inquired as to the current debt service tax, and Ms. Allen responded that it was \$0.3457. She then reviewed the projected maintenance tax rate with the Board, noting that she had run the numbers based on the District's current budget. She stated that the District's healthy fund balance would allow the transfer of money into the District's park fund every year through 2014, and that the only hesitation she would have was whether or not the District would be able to obtain bond insurance prior to the sale, noting that the market was down to one insurance company and its response time was slow. She stated that, typically, there was about a 50 basis point spread between insured and noninsured issues but that, with the current market, the typical spread was closer to 100 basis points. She stated that, if there was a delay in getting confirmation of insurance, she would recommend postponing the sale. Mr. Morin stated that Ms. Allen's budget was very conservative, and she agreed. After discussion, upon motion by Director Gray and second by Director Richter, the Board voted unanimously to authorize Ms. Allen to proceed with advertising the sale of the bonds. Ms. Allen then stated that, to the extent the market changed and the interest rate would be different than what she had projected, she would like to have a Bond Subcommittee appointed to discuss any market fluctuations. After discussion, the Board agreed that Director Gray and Director Campbell would serve as the District's Bond Subcommittee. After further discussion, upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to schedule a special meeting for the sale of the bonds on April 14, 2009, at noon, at the offices of Armbrust & Brown, L.L.P.

Director Campbell then inquired whether there were any residents present wishing to address the Board. Mr. Rivaldo noted that he had sent the email attached as **Exhibit "D"**. Director Campbell inquired whether Deputy Kinnard would like to respond to any of the concerns raised by Mr. Rivaldo, and Deputy Kinnard stated that he would. He then advised the Board that he had recently arrested two young people in the park for smoking marijuana, and discussed ongoing security patrols by the Sheriff's Department, noting that he was emphasizing having more of a presence by the deputies in the park. He stated that he was alternating his emphasis between the park patrols, burglary of vehicle prevention and responding to residential burglaries. He noted that, in the analysis he had done recently, he had noted an increase in burglaries of residences. He also reported that, at 908 Battenberg, there had been two drive-by shootings, which appeared to have been gang-related. He stated that he had a close patrol on the residence to attempt to stem the violence there. Director Richter stated that the Park

Subcommittee was working on a proposal to add some additional security lights to the park, and inquired whether this would help with the issue. Deputy Kinnard responded that it might, but stated that the two individuals he had arrested for smoking marijuana at the bridge had been doing so during daylight hours. He asked Mr. Rivaldo if he had called 911 when he observed suspicious individuals in the park, and Mr. Rivaldo stated that he had not, since they were just kids loitering. Deputy Kinnard encouraged him to call, noting that, if school-aged individuals were in the park during school hours, this was a truancy violation and that it would be proper for Mr. Rivaldo to call 911. He stated that the Sheriff's Department needed the community's eyes and ears, and noted that a 911 call also gave the deputies probable cause to make a further investigation. He stated that, if kids were in the park instead of in school, that would be a violation of the Education Code. He added that the Sheriff's Department could also investigate if people were in the park after hours. Director Campbell noted that, at the prior Board meeting, the Board had agreed that he would be authorized to approve additional patrol hours if it was necessary, and encouraged Deputy Kinnard to contact him if he felt this was the case. Ms. Littlefield noted that Mr. Rivaldo had suggested that the Board revise its District rules in order to prohibit spray cans from being carried within the park, and noted that the District also had the ability to ban individuals from the park due to a violation of the park rules, which could give rise to a trespass violation. Deputy Kinnard concurred, and also asked that Ms. Littlefield provide him with all of the Board members' cell phone numbers, so that he could contact them if it became necessary to file a criminal trespass violation. He stated that, for the first violation, a warning could be given after which the District could ban the violators from the park. After further discussion, Director Richter moved that the Board amend the District's park rules to prohibit spray cans and to "beef up" the trespass provisions in order to allow individuals who violated the rules to be banned from the District's parks. Upon second by Director Henderson, the motion was unanimously adopted.

Director Campbell then stated that the Board would receive a report under the Interlocal Agreement with Wells Branch Municipal Utility District. Mr. Kennis presented the park task list attached as **Exhibit "E"** and reviewed it with the Board. He explained that this report would be updated before each Board meeting. He also advised the Board that he had resubmitted the 50% completion report to the Lower Colorado River Authority in connection with the District's grant. Director Richter stated that they had now extended the completion date to November. Mr. Kennis reported that he was working on an additional short and long term planning, as requested by the Park Subcommittee. He also noted that he had worked on locating the sites for future wells within the park. He stated that he had worked on obtaining a cost for repairing the damage to the sidewalks, and estimated that this would be approximately \$1,500. The Board discussed the timing for the repairs and, after discussion, Director Richter moved that the Board authorize Mr. Kennis to proceed with the repairs subject to authorization by Mr. Morin due to the force main repair which was currently in process. Upon second by Director Henderson, the motion was unanimously adopted.

Ms. Oliver then addressed the Board, and reviewed the restrictive covenant report. She stated that some homes had gone back to HUD, which was requiring the enforcement process to start over. She stated that she had had Deputy Kinnard tow some vehicles, including one which had been parked illegally and was associated with a tenant's eviction. Ms. Littlefield reported that the Wildflower Homeowners' Association representative was ill and would not be at the meeting. Director Richter stated that she felt Wildflower was making some progress, but added that there was a section of missing fence on Wild Senna which provided visibility to some of the

residents' back yards, which did not present a very appropriate appearance. Ms. Littlefield agreed to follow up with Mr. Sanders regarding the matter.

Ms. Littlefield then noted that the District's Interlocal Agreement for Administrative and Governmental Services with Wells Branch Municipal Utility District was up for renewal, and reminded the Board that, due to her firm's representation of Wells Branch Municipal Utility District, she could not negotiate the agreement between the two districts. She stated that, in the past, the boards had negotiated the agreement through subcommittees and, with the consent letter attached as **Exhibit "F"**, her firm had documented the agreement. She noted that it would also be appropriate for the districts to consider hiring separate legal counsel for work on the agreement, if they wished to do so. Ms. Littlefield suggested deferring action on the consent letter until further discussion of related matters in executive session. The Board then discussed on-going graffiti and vandalism problems, as well as concerns regarding individuals accessing the District's park property from the adjoining trailer park. Director Richter noted that there was also an erosion problem in the area between the District and the trailer park which needed to be addressed. She noted that this would require some expenditure to correct, and stated that the Park Subcommittee hoped to present a capital projects budget at the next Board meeting. Director Richter also advised the Board that the Park Subcommittee was still analyzing the appropriate areas for the installation of concrete fencing, and that this determination was very challenging. She noted that, due to recent problems with criminal activity at the playscape in the District's park, it might become necessary to remove the playscape. Director Richter then discussed the status of the District's park site plan, and the possible requirement that a detention pond be provided if the District's proposed improvements would exceed the impervious cover limitations allowable for the park site. She stated that Mr. Foster was still looking at alternatives, and that one option might be to use a green space area as an offset, rather than constructing a structural pond which would be much more expensive. Director Richter stated that she was very pleased that everyone was on the same page now, and hoped that all of the projects were moving forward in a timely manner. Mr. Kennis reported that his crews had located a large diameter tree which was falling, and that he had requested that Mr. Fadal remove it. Director Richter stated that the Park Subcommittee had authorized the removal of this tree, as well as another tree which appeared to be falling and was, therefore, dangerous. She stated that she had requested that Mr. Fadal provide a proposal for the removal of dead and hazardous trees and asked that the Board authorize the Park Subcommittee to approve the proposal at a cost not to exceed \$6,000. After discussion, upon motion by Director Richter and second by Director Gray, the Board voted unanimously to authorize the Park Subcommittee to approve a proposal for the removal of dead and hazardous trees at a cost not to exceed \$6,000.

Director Campbell then stated that the Board would receive a report from the District's engineer. Mr. Jones presented his report, a copy of which is attached as **Exhibit "G"**, and reviewed it with the Board. He stated that he and Mr. Morin had evaluated the construction debris which had caused damage to the District's lift station, and had determined that the best approach would be to include the charges in the cost which would be assessed to Dessau Fountains. The Board agreed and directed that Mr. Carlton of Ms. Littlefield's office send out a billing to recoup the cost. Mr. Jones then presented the administrative completion letter from the Texas Commission on Environmental Quality in connection with the on-channel reservoir permit application, and explained that he intended to respond that the District would provide wells as a supplemental source of water. He requested that the Board approve the Amended Resolution Authorizing Application to the Texas Commission on Environmental Quality for Permit to Use

State Water attached as **Exhibit “H”** in order to request the use of beds and banks of the tributary of Harris Branch. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to do so. Mr. Jones then reported that he had received plans for a retail site at the corner of Dessau Road and Tudor House, and would be reviewing the plans that had been submitted. Director Martinez raised a concern regarding the appropriateness of the use, and Ms. Littlefield noted that the tract was designated for retail use on the District’s master land plan and that the District did not have any jurisdiction over the land uses, but only over utility services. She pointed out that the District had received notice of the related site plan application, a copy of which is attached as **Exhibit “I”**, and stated that any interested resident could object to the site plan if he or she wished to do so.

Director Campbell then stated that the Board would receive a report from the District’s bookkeeper and recognized Mr. Douthitt. Mr. Douthitt presented the updated cash report attached as **Exhibit “J”** and reviewed it with the Board. He pointed out that the report included a check in the amount of \$3,290 to transfer funds to the District’s manager’s account in order to increase the amount on deposit to \$20,000. He reminded the Board that he was now issuing deposit refunds out of the manager’s account, as previously discussed. Ms. Littlefield reported that she had received a check from Village @ Northtown, which she was holding in trust pending the City of Austin’s approval of the first subdivision plat in the Village @ Northtown. She presented the letter from Mr. Nias attached as **Exhibit “K”**. Director Richter noted that the payments to Gulf Coast Compliance for inspections should not be paid out of the District’s park fund, and Mr. Allen agreed to correct the accounting for these invoices. After further 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 presented.

Mr. Douthitt then presented the transfers from the District’s tax account to its debt service account, from its park account to its operating account and from its tax account to its operating account attached as **Exhibits “L”** through **“N”**, and a letter to close the account which had held the capital recovery fees for Settler’s Meadow, due to the fact that these had now been disbursed to the City of Austin as required under the Interlocal Agreement. Upon motion by Director Martinez and second by Director Gray, the Board voted unanimously to approve the transfers and the closing of the Settler’s Meadow Capital Recovery Fee account. Mr. Douthitt then presented the investment report attached as **Exhibit “O”**, and reviewed it with the Board. He explained that the District was required to keep its money in fairly secure funds, and noted that banks were currently offering a little better return than the investment pools. He also explained that the District was required either to have its funds insured by the FDIC or collateralized, and stated that banks needed to understand this requirement, which was sometimes a big educational challenge. Ms. Littlefield pointed out that, under the District’s investment policy, the District’s first obligation was to maintain the security of its principal, which it had done during the recent downturn in the market. Director Gray stated that he preferred that the District earn low returns than take any risk of losing its principal, and the Board agreed. After further discussion, Director Richter moved that Director Gray and Director Campbell be appointed as the District’s Investment Subcommittee. Upon second by Director Martinez, the motion was unanimously adopted.

Director Campbell stated that the Board would next receive a report from the District’s general manager. Mr. Morin distributed the spreadsheet on usage through the Tech Ridge irrigation meters attached as **Exhibit “P”**. After discussion, the Board directed Mr. Morin to

collect the appropriate security deposit as well as the penalty on the \$10,000 late payment which had been made by the account holder, and to advise Ms. Taylor that any further late payments would result in the District enforcing the wastewater penalties that had been abated previously. Mr. Morin then reported that there had been a blow-out in the force main to the low flow lift station next to the bridge, and stated that this would be an expensive repair, as part of the line was under the concrete abutment for the bridge. Ms. Littlefield inquired why the line was located under the bridge structure, and Mr. Jones explained that the line was located in the right of way. He explained that the City of Austin had responded to a reported leak, and that it had done some of the early work exposing the damage. Mr. Morin explained that, in addition to the repair cost, the District would incur significant wastewater hauling costs during the course of the repair. Director Campbell stated that, while the Board understood that it had to authorize Mr. Morin to proceed with the repairs immediately, he would ask that, while the crews were doing the repairs, they analyze the condition of the line in order to determine if further remediation work was necessary. Mr. Morin agreed to do so. Mr. Morin noted that there was one account, that of Ryan Lane, on the 90-day receivable list and that he was meeting with this customer the following day. He presented the list of write-offs attached as **Exhibit "Q"**, and reviewed it with the Board. Mr. Morin recommended approval of the write-offs and, upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to do so. Mr. Morin advised the Board that he had received additional requests from the City of Austin for tree trimming approvals and the Board concurred that the Park Subcommittee had authority to review and approve these requests, as previously discussed by the Board. Mr. Morin also advised the Board that the CASE Summer Conference would be held on June 18<sup>th</sup>, and encouraged the new Board members to attend. The Board discussed its interest in working with other utility districts to prevent individuals who appeared to move from district to district running up high bills and not paying them. Ms. Littlefield agreed to contact CASE about the District's interest in investigating how districts could be protected from serial non-paying customers.

Director Campbell then stated that the Board would receive a report from the District's attorney, and recognized Ms. Littlefield. Ms. Littlefield reviewed her directives from the previous Board meeting, noting that all of the requested items had been completed. She stated that the District had received an appeal by DR Horton for a violation of the District's erosion control rules at 14600 Walt Whitman, which was primarily due to failure to provide appropriate trash receptacles. She noted that she had responded to the appeal by email the previous day, and had not received any response from DR Horton. After discussion, upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to deny the appeal.

Ms. Littlefield also advised the Board that the Inspection Services Agreement with Gulf Coast Compliance expired on March 31, 2009 and presented the renewal attached as **Exhibit "R"**. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the renewal of the contract.

Director Campbell then stated that the Board would consider taking action regarding the Recycling and Solid Waste Disposal Services Agreement with Texas Disposal Systems. Ms. Littlefield noted that she felt that she and Mr. Howard were getting close to having a final contract, and that he had agreed to the six-month extension for the existing price that had been requested at the previous Board meeting. Director Martinez noted that the Solid Waste Subcommittee had wished to assure that the District had weekly recycling services and that any adjustment to the price was based on the Consumer Price Index and Ms. Littlefield noted that

both of these changes had been incorporated into the contract. She stated that she hoped to finalize the agreement and bring it back to the Board at its next meeting. Director Campbell noted that the District already had an excess of 1,200 residential units, and requested that that provision be updated. Ms. Littlefield agreed to do so.

Director Campbell then stated that the Board would convene in executive session in order to receive legal advice regarding personnel and contractual issues pertaining to matters appearing on the Board's meeting agenda, as authorized by Section 551.071 of the Texas Government Code. At 9:09 p.m., the Board reconvened in open session, and Director Campbell noted that no action had been taken during executive session. After discussion, the Board agreed that Director Henderson and Director Campbell should meet with the Wells Branch Municipal Utility District Interlocal Agreement Subcommittee, Mr. Douthitt and Mr. Kennis in order to discuss concerns relating to past invoicing. Director Henderson agreed to coordinate the meeting.

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

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

(SEAL)

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Scott M. Gray, Secretary  
Board of Directors