

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

April 26, 2016

THE STATE OF TEXAS           §  
  §  
COUNTY OF TRAVIS           §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on April 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"**.

All of the members of the Board were present, as follows:

Robin Campbell	-	President
Brenda Richter	-	Vice President
Kathy Haught	-	Secretary
Chris Capers	-	Assistant Secretary
Felix Amaro	-	Treasurer

Also present at the meeting were Mona Oliver, the District's on-site manager and covenant administrator; District employee Ernest Robles; Robert Anderson of Crossroads Utility Services, LLC ("Crossroads"); Scott Foster with 360 Professional Services, Inc.; Allen Douthitt of Bott & Douthitt, PLLC; Deputy Oscar Gonzales of the Travis County Sheriff's Department; Jenn Schmidt of Brookfield Estate Homeowners Association ("Brookfield HOA"); Gary Edwards of Community of Parkway Garden Homeowners Association ("Parkway Gardens HOA"); Lee Hill, a resident of the District; and Sharon Smith of Armbrust & Brown, PLLC ("A&B").

Director Campbell called the meeting to order at 5:45 p.m. and stated that the Board would first receive resident communications and Board member announcements. He recognized Ms. Schmidt, who asked about the possibility of more street lights being provided in the area of the retention pond off of Sweet Leaf Lane, and about who owned the pond. Ms. Oliver replied that the Brookfield HOA owned the pond. Director Campbell explained that the District could only add street lights on property which the District owned or for which it had an easement. Ms. Oliver stated that the property had recently become the site of more frequent criminal activity and loitering, and Director Campbell expressed the Board's desire to promote safety. Director Campbell added that he was not sure there was anything the District could do but requested that Ms. Smith and Mr. Foster determine if there were any lighting improvements that the District could legally and feasibly provide. Director Campbell next recognized Mr. Hill, who stated that three cars without license plates had been parked at 1000 Friendship Quilt for several weeks. He added that the circumstances indicated that the property was being operated as a business to refurbish or repair the cars and then sell them, and he wanted the Board, the residents, and Deputy Gonzales to be aware of the situation. Mr. Hill then discussed the continuing increase in assessed property values and the

likelihood that the District's property tax rate would have to be lowered to stay below the rollback rate. He stated that he would like the Board to discuss the District's priorities, set a draft budget that would accomplish those priorities, and determine what the tax rate would be for that draft budget. He continued that currently the Board set the budget only after the tax rate was projected, and he would like to see it set priorities, then consider the fiscal analysis. Mr. Douthitt stated that the District did not receive its assessed value until July, and he explained the timing for the notice and hearing on the District's proposed tax rate, and that the budget was adopted in September.

Director Campbell then stated that the Board would next consider approving the consent items on the Board's meeting agenda: the minutes of the March 22, 2016, Board meeting and the Resolution Amending Code of Ethics and Financial Investment, Travel and Professional Services Policy and Adopting Revised List of Qualified Brokers ("Resolution") attached as **Exhibit "B"**. He recognized Ms. Smith, who stated that the draft minutes in the Directors' meeting packets did not note Scott Foster as being in attendance, but Mr. Foster's name had been included after the Directors' packets were prepared. She also recommended one correction to the draft Resolution. After discussion, upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the consent items with the changes discussed by Ms. Smith.

Director Campbell stated that the Board would next receive the security report and recognized Deputy Gonzalez. Deputy Gonzalez stated that the Sheriff's Department had investigated two auto thefts in the District. He also mentioned burglaries that had occurred, including one that had been interrupted by a witness, and three vandalism incidents. He stated that a hoverboard had been stolen from a front yard when the hoverboard owner went into his house for a few minutes. He advised the Board that it could expect a crime spike in the summer and that the Department would put out more staffing over the Memorial Day weekend. He discussed a recent shooting in the District and mentioned that any requests for information needed to be directed to the Department's Public Information Office. Director Amaro requested that the Board approve a \$1000 increase to the District's \$2000 budget for National Night Out, which he added was scheduled for September 17, 2016. Mr. Douthitt confirmed there was enough money in the District's budget to cover the increase. Upon motion by Director Richter and second by Director Capers, the Board voted unanimously to increase the District's National Night Out budget to \$3000. Director Amaro then stated that residents had been asking for additional Sheriff's Department security – for special events and other purposes. He first pointed out that the District's contract with the Sheriff's Department was narrow in scope, but added that additional work was within the scope of the contract when the Department was alerted of a problem, such as the cars without license plates that had been discussed by Mr. Hill. He continued that the funds for security were for the entire District and could not be spent on a single business or individual merely in response to a request to do so. He then stated that the Security Subcommittee wanted to publicize the District's arrangement for security and explain resident options regarding additional security. He added that the Security Subcommittee would work on verbiage with Sue Littlefield of A&B that the Sheriff could have available and use in response to questions from residents about additional security.

Director Campbell then noted that Mr. Fadal was not present at the meeting to present the landscape maintenance report, attached as **Exhibit “C”**. Director Amaro asked about the effects of recent rains on watering restrictions and Mr. Foster said he had not heard that there had been any change by the City of Austin.

Director Campbell 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 “D”**. She stated that recent rains had caused very minimal damage to the District’s trails, but that trees that had blown over had now been removed. Director Richter stated that she wanted the record to reflect the District’s return on investment for the trail renovations. She continued that she was very pleased with the trails, that they were holding up during heavy rains, and that they looked very good. She noted that the labor and costs required to make trail repairs after storms had been significantly reduced, and that the trails showed a good and well thought-out transition between the soft and hard surfaces. She thanked Mr. Foster and Ms. Oliver for their work on the trails. Director Amaro then asked how often the swings were checked for safety; Ms. Oliver replied that they were checked every week.

Ms. Oliver then brought the Board’s attention to inquiries she had received from Mr. Edwards relating to mowing of the median at Harris Ridge Boulevard and other locations. Director Campbell recognized Mr. Edwards, who explained that the previous landscapers for the Parkway Garden HOA had mowed the median, but that the current landscapers were not willing to do so. He discussed his communication attempts with Travis County staff. Director Campbell noted the problem area was in the County right-of-way and was not District property. He continued that the Board was concerned about the appearance of the median areas, especially because they presented the “face” of the District, and that it would be nice to have the same level of median maintenance as the District provided for its park areas. He added that the Board might want to create a subcommittee to develop a consistent plan for how to address the mowing issues. Mr. Edwards explained that he did not realize that, when the Parkway Garden HOA changed landscapers, the new landscapers were not equipped for the median mowing the prior landscapers had done. He added that they were reluctant to engage in mowing property the HOA was not responsible for because it was owned by the County. He continued that weeds grew three-feet high by the time the County mowed, which occurred three times per year. He stated that he was eventually able to get a message to Kevin Powers of the County and that, although he never got a call back, the County did go ahead and mow before its regularly scheduled date in May. He added that he also worried about snakes, trash, and crime that resulted from the unkempt areas and high grass. Director Campbell mentioned that the high grass could also impede traffic visibility. Mr. Hill stated that he had been successful in getting the County to mow four times per year, starting before May right after the wildflower season. Mr. Edwards mentioned that he had at one point received a reply from the County indicating that it had a limited budget and that the Parkway Garden HOA or third party could enter into a license agreement that would allow it to mow more frequently or at different times. Ms. Schmidt stated that the Brookfield HOA had amended its mowing contract to provide for additional mowing between the County’s three times per year. Director Richter mentioned the possibility of reporting the situation to the media, and Mr. Hill added that he had suggested the County outsource its mowing. Director Haught stated that sometimes the

grass and weeds were as tall as she was. Director Campbell asked Ms. Oliver to talk with Mr. Fadal about what level of mowing he would recommend in that area if the Board decided it wanted to get the District involved; he added that, at some point, perhaps the Board could also look at other high priority areas. Director Haught stated she believed the Board would need to keep in mind that providing additional services for one area could become a slippery slope. Director Campbell responded that the area in question could be distinguished from other areas because it faced the park. Ms. Oliver clarified that the area was the center median between Howard Lane and Merseyside, from Harris Ridge to the bridge and the lift station, but noted that there were other areas in the District that other residents could be interested in. Director Amaro stated that he would want to talk further with Ms. Littlefield about what the District's options were. Mr. Foster noted that getting a license agreement with the County was a six-month process and therefore a license agreement would not solve the problem for the 2016 growing season. Director Capers mentioned that there had frequently been accidents at Heatherwilde and Howard Lane. The Directors discussed whether the County would consider paving the median. Director Richter stated that Ms. Oliver should develop a standard email to use to contact the County every time mowing was needed and should attach a new picture illustrating the conditions at the time of the email. Ms. Oliver then brought the Board's attention to the proposal for renewal of the District's Texas Municipal League ("TML") employee benefits coverage. After a brief discussion by the Board, Director Richter moved that the Board authorize Ms. Oliver to submit the Continuation of Coverage Administration Agreement and the Rerate Notice and Benefit Verification Form attached as **Exhibit "E"** to TML; upon second by Director Amaro, the Board voted unanimously to adopt the motion.

Director Campbell inquired if the Parks Subcommittee had anything to report and Director Richter responded that it did not.

Director Campbell then recognized Mr. Foster, who presented his report, attached as **Exhibit "F"**. He stated that he had been discussing the District fence and facility assessment with Director Campbell and Director Amaro and that the three of them would set a date to meet. He mentioned that with regard to the 50-acre park pedestrian bridge study, he was waiting to hear from the City and expected to present project recommendations at the May Board meeting. Director Campbell asked about median maintenance at Heatherwilde Blvd., and inquired whether there was any possibility of requiring that the owners association maintain the median by license agreement. He directed A&B to check the Wildflower restrictive covenants and any reimbursement contracts and then to discuss the matter further with Mr. Fadal. Director Haught stated that Ms. Oliver should do a full District assessment on the need for median maintenance, and Mr. Foster suggested prioritizing streets by their City of Austin design classifications. Mr. Hill mentioned a problem area along Dessau where the grass grew between the sidewalk and the road.

Director Campbell then recognized Mr. Douthitt, who presented the updated cash activity report attached as **Exhibit "G"**. Mr. Douthitt noted that the District's taxes were 99.5 % collected. He recommended approval of the five account transfers listed in the report, and then reviewed the Director and vendor payments that were being presented for approval. He 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. Mr. Douthitt then discussed the February water and wastewater bills from the City and stated that there was a disagreement between Jay Joyce, the District's rate consultant, and the City on the amount the City owed the District. He added that the March billing amount was correct. He explained that the City was not supposed to charge the District for an inflow and infiltration factor as part of the wastewater component of the bill, but that the City had deducted that amount from its refund to the District. After further discussion by the Board, Director Richter moved approval of payment of the bills and invoices and the transfers as recommended. Upon second by Director Amaro, the Board voted unanimously to adopt the motion.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager's report attached as **Exhibit "H"**. Mr. Anderson advised the Board that he was going to begin including some additional pages of data in his report each month. He added that some reports did not align exactly with others because of how or when the data was collected by the different entities that provided the data. He drew the Board's attention to the Water Usage Analysis (p.9) broken out by type of user, and added that that data was collected pursuant to a requirement of the Texas Water Development Board. Mr. Anderson noted that the District had 2,954 occupied single-family connections, a total of 3,838 accounts, and an estimated population of 10,107 for the month of March. He added that the District had satisfactory lab results for its water samples and had a reported 14.44% water loss during the prior reporting period, noting that the water losses could change in subsequent months and that the District's average loss was at 9.67%. Mr. Hill asked whether the City was going to put smart meters on all of its systems. Mr. Anderson stated that the District would have to buy smart meters when the time came. He added that the City had advised that smart meters could not be installed in the District at this time because they were still just part of a pilot project. Director Richter stated the Budget Subcommittee should keep in mind the need to plan for the smart meter purchase. Director Haught asked whether Crossroads' fees would go down accordingly, and Mr. Anderson replied that he was not sure as this would depend on what labor was replaced. Mr. Anderson then called the Board's attention to the write-offs set forth on **Exhibit "I"** and recommended approval. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the write-off. Mr. Anderson stated that he had sent the drought contingency plan report to the Texas Water Development Board, but it had replied that the District needed to submit a Utility Profile.

Director Campbell stated that the Board would next discuss the wholesale rate case. He advised the Board that the Wholesale Water and Wastewater Rate Challenge Subcommittee ("Rate Challenge Subcommittee") was meeting the following week to discuss the latest developments, noting that the City was fighting the outcome at every point and that there were no changes since the matter had last been discussed by the Board. He mentioned the funds required to be refunded by the City and explained that it was premature to conjecture on the disposition of any such funds until the Public Utility Commission ("PUC") decision was final and any appeals were completed. He continued that, if the City ultimately prevailed, the suit could cost the District money

instead of funds being returned. He stated that at the time the matter was final, the subcommittee would look at every alternative for dealing with any returned funds and related matters as equitably as possible. He noted that there were many variables regarding how to proceed on any returned funds, including a lower rate over a period of time. Director Amaro discussed that the Board could expect that the current proceeding would not be the last appeal and that the Board could not realistically begin to discuss disposition of funds that had not materialized and might ultimately result in a negative outcome for the District. Director Campbell added that magnitude of the funds returned might also affect what options were viable or appropriate. Director Richter stated that the Rate Challenge Subcommittee was meeting on May 4 at 6:00 to discuss attorneys that specialized in appellate work and that the District might want to hire if the PUC's decision were appealed.

Director Campbell then stated that the Board would receive the attorney's report and recognized Ms. Smith, who presented the Client Bulletin regarding the proposed IRS Rule Changes Affecting Tax-Exempt Bonds attached as **Exhibit "J"** and reviewed it with the Board. She then presented the letter from the Travis Central Appraisal District regarding the 2016 estimated taxable value attached as **Exhibit "K"**. Ms. Smith then presented the Texas Municipal League summary of claims experience report attached as **Exhibit "L"**. Several directors stated that they found the report to be very interesting and requested that any future reports be included in the Board's meeting packets.

Director Campbell noted that there were no developers or landowners present wishing to address the Board. He asked if there were any further matters that the Directors wanted to discuss and Director Haught inquired about the process for determining membership on the Board's subcommittees. She asked whether the workload was balanced for all Directors, and Director Campbell responded that the number of subcommittees was not the sole indicator of workload because that depended on how active the various subcommittees were. Director Capers mentioned that some Directors might want to change what subcommittee they were on. Director Campbell added that changes in subcommittees sometimes occurred when there was a change in a subcommittee's projects, and that there was currently no formal process or protocol. He continued that sometimes a subcommittee would be formed of members from two other subcommittees with expertise relating to a particular matter. He encouraged the Directors interested in other subcommittees to inquire of other Directors if they would like to consider changing membership.

There being no further business to come before the Board, upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to adjourn the meeting at 7:24 p.m.

(SEAL)

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Kathy Haught, Secretary  
Board of Directors

Date: May 24, 2016