

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

May 27, 2014

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 May 27, 2014, 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
Kathy Haught	-	Assistant Secretary
Felix Amaro, Jr.	-	Assistant Secretary

Director Brenda Richter was absent from the meeting and Director Alex Martinez 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 ("Crossroads"); Cheryl Allen of Public Finance Group, LLC; Jana Edwards of McCall Parkhurst & Horton, PLLC; Allen Douthitt and Mary Bott of Bott & Douthitt, PLLC; Deputy Keith Kinnard of the Travis County Sheriff's Department; Richard Fadal of TexaScapes, Inc.; Scott Foster of 360 Professional Services, Inc.; James Oden and Alan Rivaldo, residents of the District; 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. Mr. Oden stated that he had a question about access to the school. He explained that he had driven to the school and was concerned that there was only one way in and out. Ms. Littlefield explained that the District was essentially the water and wastewater provider and had no jurisdiction over the roads or school. After discussion, the Board requested that Ms. Littlefield provide Mr. Oden with the contact information for the County Commissioner.

Director Campbell then recognized Mr. Douthitt, who presented the updated bookkeeping report attached as **Exhibit "B"**. Mr. Douthitt reviewed the funds transfers he was recommending for approval as summarized on page one of his report. He called the Board's attention to the list of disbursements being presented for approval, noting that he had been unable to conduct his monthly invoice review with Director Amaro, but that Director Amaro had reviewed the invoices and Director Amaro confirmed this. Mr. Douthitt then reviewed the payments that had been made out of the manager's account since the last meeting, noting that these were mainly for utilities, small office purchases and deposit refunds for the past month. He called the Board's attention to the disbursement from the park fund for park-related expenses. Mr. Foster stated that he recommended approval of the Pay Estimate for the park and trail

renovations. Upon motion by Director Amaro and second by Director Haught, the Board members present voted unanimously to approve the Pay Estimate attached as **Exhibit “C”**. Mr. Douthitt also called the Board’s attention to the release attached as **Exhibit “D”**, noting that Dessau Fountains had required this in order to fund its share of lift station maintenance expenses under the Tri-Party Agreement. Upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to authorize Mr. Douthitt to execute and deliver the release. Mr. Douthitt then reported that the District was currently ahead of plan due to delays in several projects. After discussion, upon motion by Director Amaro and second by Director Haught, the Board members present voted unanimously to approve the payment of the bills and invoices, investments and transfers, as recommended, with the exception of the per diem to Director Richter, which would be voided due to her absence from the Board meeting. At this time, Director Martinez arrived at the meeting.

Director Campbell stated that the Board would next discuss the bond-related items on the Board’s meeting agenda and recognized Ms. Allen. Ms. Allen presented the analysis of the District’s surplus funds attached as **Exhibit “E”** and noted that, based on the costs of the repairs to low flow lift station, she had prepared an evaluation of the financing options for this work. She explained that Mr. Douthitt had provided her with input regarding the District’s existing surplus funds. Ms. Allen reviewed her evaluation with the Board. She stated that her analysis of the costs and the projects eligible for reimbursement excluded the Village @ Northtown’s projects as the development did not currently have any improvements that were eligible for reimbursement. She stated that the District was a little short on funds needed to reimburse or pay all of the scheduled costs and that one option was to sell bonds to cover the shortfall. She explained that, of the total in potentially reimbursable costs of \$2.9 Million, the 70% limit on the reimbursement for the Lakes at Northtown reduced the reimbursement amount to \$2.5 Million. She stated that she had deducted \$1.8 Million for cash on-hand and added non-construction costs to reach a little over \$1 Million in costs that would need to be financed. Ms. Allen explained that, if the District was doing a bond application, it would take a substantial period of time to prepare the application and have it processed. The Board then discussed economies of scale and other considerations related to the sizing of a bond issue that would affect its determination of whether or not to include the Village @ Northtown’s projects. Ms. Allen then explained the option for private placement versus a competitive sale of the bonds. She stated that the District would not want to include the Village @ Northtown’s project if it would slow down the process due to the developer’s delay in providing necessary documentation. Director Campbell inquired about the cost difference if the District did a private placement versus a competitive sale. Ms. Allen reviewed the cost differences and stated that there would probably be about \$50,000 in savings for a private placement versus a competitive sale.

Ms. Allen then reminded the Board that, approximately a year previously, the City of Austin (the “*City*”) had approved the District’s proposed sale of refunding bonds, but, due to a change in the market, the savings could not be realized and so the refunding did not occur. She explained that the market was again favorable and the City staff had agreed to provide a letter confirming that the District could proceed under the City’s prior authorization. Ms. Allen stated the current savings would be as reflected on the analysis attached as **Exhibit “F”**. She explained that the savings would be 4.48%,

which was more than the City's requirement of 4.25%. She noted that this involved refunding \$2,470,000 in bonds and also advised the Board that the total savings to the District for all of its refundings to date was over \$1 Million. Ms. Allen reminded the Board that refundings were done on a negotiated basis and stated that, with Board approval, First Southwest Company would sign a bond purchase agreement on June 22 and the closing would occur on July 22. Director Campbell stated that he wanted to assure that the cumulative and net savings referenced were after the costs of the refunding and Ms. Allen confirmed that they were. Director Campbell stated that the Finance Subcommittee was in favor of proceeding as the refunding represented an interest savings. Ms. Edwards then presented the Order Authorizing the Issuance of Northtown Municipal Utility District Unlimited Tax and Revenue Refunding Bonds; Authorizing the Levy of an Ad Valorem Tax in Support of the Bonds; Entering into a Paying Agent/Registrar Agreement, a Bond Purchase Agreement and an Escrow Agreement; Approving an Official Statement; Establishing Procedures for Selling and Delivery of the Bonds; and Other Matters Related to the Issuance of the Bonds attached as **Exhibit "G"**. She noted that the Order established the required parameters that would have to be met in order for the refunding to occur and designated a pricing officer and an alternate. Ms. Edwards also explained that the refunding would not extend the term of the bonds that were being refunded. Ms. Allen recommended designating Director Campbell as the pricing officer and Director Amaro as the alternate. Director Amaro asked that Ms. Edwards explain the basis for the letter from the City providing the authority to move forward with the refunding. Ms. Edwards stated that the City approval provided the basis for the authorization, which was the reason that the entire review process did not need to be completed. She confirmed that her office had written the letter to be signed by the City staff, which essentially confirmed that the authority granted by the City the prior year was still valid for the proposed issue of refunding bonds. Director Campbell asked for clarification of the action required at this time. Ms. Edwards explained that the order previously adopted had expired and so a new Order was required. After discussion, upon motion by Director Martinez and second by Director Haught, the Board voted unanimously to approve the Order, as presented, with the delegation to Director Campbell and Director Amaro as discussed, and to authorize payment to the Attorney General of the bond review fee of .1%. Upon motion by Director Martinez and second by Director Haught, the Board also voted unanimously to authorize the Finance Subcommittee, consisting of Directors Amaro and Campbell, to approve a proposal from Mr. Foster for the preparation of an application to the Texas Commission on Environmental Quality ("TCEQ") for the proposed new money bond issue.

Director Campbell then stated that the Board would consider approving the minutes of the April 22, 2014 Board meeting. After discussion, upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to approve the minutes.

Director Campbell then recognized Deputy Kinnard for purposes of receiving the District's security report. Deputy Kinnard reported that there had been a burglary of a residence on Lampting and that the first officer on the scene had restrained one suspect and he had given chase of the other two. He stated that all three suspects were ultimately apprehended. Deputy Kinnard stated that the day care building had been

tagged with graffiti again and Ms. Oliver confirmed that the graffiti had been painted over. Director Amaro inquired about a report about shots fired, and Deputy Kinnard stated that this report had not been confirmed. He stated that another deputy had saved the life of a woman who had passed out due to diabetic shock. Deputy Kinnard also reported that one of Crossroads' employees had been threatened when he had cut off water service to a residence and that he had reviewed the protocol, which was to call 9-1-1, for this type of situation with Crossroads' staff.

Director Campbell then recognized Mr. Fadal for purposes of receiving the landscape maintenance report. Mr. Fadal presented the plant of the month, Dallas Red Lantana, noting his crews were going to plant 30 to 35 of these around the dog park. Mr. Fadal then called the Board's attention to the new format of the landscape maintenance report, attached as **Exhibit "H"**, and stated that the rain was the big news and that he understood the lake had recovered about a foot and that there might be more rain later in the week. Mr. Fadal stated that the grow zones were doing a good job of reducing the erosion on the creek banks and that his crews were still selectively removing chinaberry and ragweed, which were invasives that caused damage to the creek areas.

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 "I"**. She stated that the Covenant Subcommittee had authorized suit in connection with the trailer violation at 13611 Cambourne Drive. Director Amaro explained that all diligence had been conducted and that, at best, there was temporary compliance, but otherwise the resident was non-responsive. Ms. Oliver stated that she suspected the resident was a landscaper and so the trailer was not going to go away. Ms. Oliver stated that there were no purchases that needed approval and reported that the fliers for the June 6-7 Clean-up Days had been sent out. She stated that staff would be on-site from 6:30 a.m. to 2:30 p.m. each day, and the Scouts would be on site from 9:00 a.m. to 2:00 p.m. each day. Director Martinez inquired about the Stoney Creek sidewalk replacement and stated that, since a contractor was on-site, it made sense for that contractor to take care of these repairs, but, on the square footage price, he would defer to Mr. Foster and Ms. Oliver, with a "not to exceed" amount. Mr. Foster stated that the pricing was based on the contractor's bid price and that this was a good value. He recommended approving up to 500 square feet of repairs at a cost of \$4,000, noting that this was essentially 1,000 linear feet. Director Campbell stated that Director Richter also supported this. Upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve repairing the sidewalks at a cost not to exceed \$4,000.

Director Martinez then presented Change Order No. 1 for the Wildflower Park and 50-Acre Park Trail Renovations attached as **Exhibit "J"** and advised the Board that, when the initial concrete had been installed around the tee boxes, they had followed the crushed granite boxes and these were not large enough and posed a trip hazard. He stated that this Change Order would modify the size of the tee boxes from 6'x6' to 6'x12' at a cost of \$11,000. Director Campbell stated that Director Richter supported this as well. Director Haught stated that she was not clear if this was just for concrete and Mr. Foster stated that it was, but noted that it included 19 tee boxes. Upon

motion by Director Martinez and second by Director Amaro, the Board voted unanimously to approve the Change Order in the amount of \$11,000.

Director Campbell stated that the Signage Subcommittee had added the disc golf score card to the website so it could be printed out and carried by the disc golfers and noted that it included a simplified map.

Director Campbell then recognized Mr. Foster for purposes of receiving the engineer's report. Mr. Foster stated that there had been no changes in the first three items on his report: Oaks at Tech Ridge Phase II, the Pflugerville ISD tract and the Harris Ridge Extension Project. He stated that he had completed a draft of the MS4 permit application and that there were some editorial changes made on the operations. He stated that he had also added the grow zones and the pond inspection process. Mr. Foster stated that the program had a checklist as optional measure to reflect how the District was doing. He noted that the application had to be signed by an officer and that public notice and a public hearing would be required in the future after TCEQ approval of the plan was received. Mr. Foster presented the contract for the lift station and force main project attached as **Exhibit "K"**, which, he noted, was now fully executed. He stated that the preconstruction meeting was scheduled for the following week and, since school was out for the summer, it could reduce the necessary traffic controls. Mr. Foster stated that he hoped the work was completed before school was back in session. He also stated that the work on the 50-acre park was substantially complete, and the tee boxes would be the next project undertaken and then the MeadowPointe and Wildflower sidewalks. He stated that the contractor was doing a good job.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager's report. Mr. Anderson reviewed his report, attached as **Exhibit "L"**, noting that the District currently had 2,928 active single-family connections and 3,012 total connections. He stated that the District had reported a 3.58% water loss, which was very good. Mr. Anderson stated that all water test results were satisfactory. He requested approval of the five write-offs attached as **Exhibit "M"**. Upon motion by Director Martinez and second by Director Amaro, the Board voted unanimously to approve the write-offs. Director Campbell stated that he preferred the write-offs be listed by customer name rather than address and Mr. Anderson agree to look at this. Mr. Anderson reported that the repair of Well No. 2 was complete and explained that the well had to be jetted out due to the collection of silt. Director Amaro inquired if there was a solution to this or if silt removal was routine maintenance. Mr. Anderson responded that the silt might have caused the original failure as it would result in lower water quality and reduce the amount of water the well put out. Director Amaro asked if there were any preventive measures available. Mr. Foster stated that the amount of silt might be improved when the well was not constantly pumping water, which would be after the drought ended. He stated that it was not possible to just pull and jet the well because the pipe would have to be replaced the next time it was pulled.

Director Campbell stated that the Board would next discuss recycling and solid waste disposal services. Director Haught reviewed the status of the negotiations with Texas Disposal Systems. Ms. Littlefield stated that the draft contract would be sent to the Subcommittee within about a week and the contract would be presented at the next Board meeting for approval.

Director Campbell then stated that the Board would discuss drought and drought management. Ms. Littlefield presented an updated Water Conservation and Drought Management Plan and reviewed it with the Board. After discussion, upon motion by Director Amaro and second by Director Martinez, the Board voted unanimously to approve the Order Establishing Revised Water Conservation and Drought Contingency Plan attached as **Exhibit “N”**.

Director Campbell stated that the Board would discuss the City of Austin’s wholesale water and wastewater rates and the joint rate challenge. Director Campbell advised the Board that, at the May 14 preliminary hearing, the judge had ordered a rollback of the water rates to the prior wholesale rates during the pendency of the case, so the District should see a rollback of the rates on its bills. The Board discussed the possibility of an interim retail rate adjustment and the potential for a future increase once the rate case was resolved.

There being no developers’ or landowners’ reports and no further business to come before the Board, the meeting was adjourned.

Date:_____.

(SEAL)

Alex Martinez, Secretary
Board of Directors