

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

July 22, 2008

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on July 22, 2008, 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 Henderson, thus constituting a quorum. Also present at the meeting were Trayce Miller of Republic Commercial Property; Lori Schumpert of Schumpert Services, LLC; Mike Morin of SWWC Services, Inc.; Mona Oliver of Wells Branch Municipal Utility District; Dick Cowan of Alliance Property Management; Richard Fadal of TexaScapes, Inc; Deputy Keith Kinnard of the Travis County Sheriff’s Department; Jay Howard of Texas Disposal Systems; Jim Nias and Katherine Loayza of Jackson & Walker LLP, representing The Village @ Northtown, Ltd.; 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 minutes of the June 24, 2008 Board meeting. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the minutes.

Director Campbell then stated that the Board would receive citizens’ communications. Ms. Miller addressed the Board, stating that her company, Republic Commercial, had recently become responsible for the landscape maintenance of seven acres of land and that the project had an outrageous water bill. She stated that the meters were irrigation-only, and that the project did not use any other District services. She stated that there had been leaks in the irrigation system, and that, as a result, their water rate had increased due to the District’s block-rate structure. She stated that she would like the Board to take into account only one meter, noting that the meter did not have a significant amount of historical usage. She pointed out that the project was currently being charged sewer charges under the District’s rate order. Mr. Morin explained that the water had gone through the meter, pointing out that he had recalibrated the meter and it had tested out as accurate. He also stated that his company had helped Ms. Miller’s company locate the leaks, and that they had been very big leaks. Mr. Morin noted that the leaks had occurred

during the winter-averaging period, and so the water consumption had been used by the City of Austin in calculating the District's wastewater charges for the current year. He stated that one meter had approximately 1.8 million gallons of water usage. Mr. Morin noted that the Board had adopted the policy of passing through sewer charges to irrigation customers who utilized their water meters during the winter-averaging period because those charges would otherwise be passed along to all of the District's customers. He stated that the District could not avoid the wastewater charges from the City of Austin and the Board's idea was to encourage people not to irrigate during the winter averaging-period or, if they chose to irrigate, to make them responsible for the additional cost to the District. He acknowledged that these were significant bills, noting that they averaged \$13,000 a month. Director Campbell inquired whether water had also been used to fill the ponds on the property during the winter-averaging period, and Ms. Miller acknowledged that they had been, but stated that she was still asking for some relief. Ms. Littlefield explained that the District's own winter average had been impacted by the project's water use during the winter-averaging period. She stated that it would be inappropriate for the Board to pass these costs along to the residents, as they had no involvement in the District's incurring this expense. Ms. Schumpert asked for a confirmation of the rate which was being charged to the project, and Ms. Littlefield asked that any rate questions be taken up with Mr. Morin directly, noting that the Board would only consider policy issues and would not recalculate water bills during Board meetings. The Board agreed that Mr. Morin should review the bill and be sure it was accurate. Director Campbell stated that the Board did not want to charge the project more than the rate order required. Ms. Miller acknowledged that the project had used the water it had been billed for, but stated that she was hoping for some relief on the other charges. Ms. Littlefield offered to contact the City of Austin to determine whether it would be willing to grant the District some relief from its winter averaging charge based on documentation relating to the leak. She stated that she would need information from Ms. Miller confirming the leak, the time during which it existed, and the amount of water which was estimated to have been lost during the winter-averaging period to do this. Ms. Miller thanked the Board and she and Ms. Schumbert left the meeting.

Director Campbell then recognized Deputy Kinnard, and his canine companion, Kora, who greeted the Board members. Deputy Kinnard stated that it had been an interesting 4th of July, with many, many fireworks. He stated that there had been a slow-down in break-ins during the preceding month, and noted that there was still a string of streetlights on Harris Ridge that seem to go off and on sporadically. The Board thanked Deputy Kinnard for his report.

Director Campbell then recognized Mr. Howard, who reviewed the TDS report for the previous quarter, a copy of which is attached as **Exhibit "B"**. He stated that he felt that things were going well. Director Richter thanked him for his company's extra effort during the most recent Clean-up Day, stating that it had gone well and that the Board appreciated it.

Director Campbell then stated that the Board would discuss the tax and budget process for 2008-2009, including the schedule for adopting the 2008-2009 budget and tax rate. Director Gray stated that he would not be able to attend the September 23rd Board meeting, and the Board requested that Ms. Littlefield confirm that Director Henderson could attend, to be sure as many Board members were present as possible. The Board discussed the appointment of a Budget Subcommittee, as well as the proposed transition of bookkeeping services from SWWC Services to Peña Swayze & Co., L.L.P. Director Campbell stated that he believed the best time to effect the transition would be on October 1st, noting that Peña Swayze & Co., L.L.P. would be reluctant

to step into the bookkeeper's position in the middle of the budget season. After discussion, Director Richter suggested that she and Director Campbell serve as the Budget Subcommittee. Director Campbell agreed, and the rest of the Board concurred. Director Richter requested that the consultants provide any budgetary information to Mr. Morin promptly upon request, and the consultants agreed to do so. Director Martinez inquired whether the District did periodic consultant reviews, and Ms. Littlefield stated that the Board typically reviewed all of the District's consultants in July, but that consultant evaluations could be performed at any time, upon the request of a Board member. She reminded the Board that, if it wished to schedule a consultant review, it needed to be placed on the meeting agenda.

Director Campbell stated that the Board would next discuss the Dessau wastewater treatment plant, and inquired whether Ms. Collier had been advised of the agreed penalty that would be paid by the owner of the treatment plant. Ms. Littlefield advised the Board that Mr. Carlton of her office was keeping Ms. Collier apprised. Director Richter advised the Board that the Parks Subcommittee had met the previous evening, and that there was very poor security observed around the construction area where the trailer park was being tied into the District's lift station. She stated that the fences were not secure, and that there were no locks. She distributed the photos attached as **Exhibit "C"**. Mr. Jones reviewed the photos with the Board, and explained that the lift station was currently pumping sewage, and utilizing a generator. Director Richter pointed out that the generator was not secure, and that it could easily be turned off by anyone happening upon the construction site. She stated that she was very concerned because this was right next to the Stoney Creek Park, and added that there was no reason the construction site and the adjacent parkland should be left in an unkempt condition. Director Richter requested Ms. Littlefield contact the contractor, and stated that she expected appropriate action be taken immediately. Ms. Littlefield advised the Board that Mr. Carlton of her office had already been in contact with the contractor, and had confirmed that it would properly clean-up and secure the site. Director Richter asked that Mr. Jones do a better job of monitoring the construction area and Mr. Jones agreed that he would start going by after-hours to be sure that the site was maintained properly.

Mr. Jones then presented the pay estimate attached as **Exhibit "D"**, noting that this represented approximately 60% completion, and that the contractor was requesting \$50,989.76. He stated that this would leave the retainage and approximately \$75,000 for the remainder of the work. Mr. Jones recommended approval of the pay estimate and, upon motion by Director Richter and second by Director Gray, the Board voted unanimously to do so. Director Richter inquired as to the status of the trailer park's portion of the improvements necessary to make the connection, and Mr. Jones advised the Board that Pate Engineering was preparing a portion of the plans which were required. Director Richter inquired as to the timing for the connection. Mr. Jones indicated that Excel should be complete with its portion of the work within about 30 days, and the site would be closed at that time. He stated that, once this work was complete, there would be additional excavation on the west side of the lift station when the trailer park did its construction work. He stated that there would also be a tie-in at the lift station, but stated that the lift station would be properly secured in the interim. Director Richter advised the Board that TexaScapes' work on the creek clean-up had turned out very nice. She stated that a number of residents had commented on the improved appearance. She noted that the Parks Subcommittee would be recommending another amendment to the Landscape Maintenance Contract soon, in order to assure that the cleaned up areas were properly maintained on an ongoing basis. Ms. Littlefield suggested that the Landscape Maintenance Contract be revised, noting that it had been

amended a series of times, and that it would be more efficient to have all of the amendments incorporated into a single document. Mr. Fadal concurred, and Director Richter asked that Ms. Littlefield proceed with preparing the amended contract.

Director Campbell then stated that the Board would receive a report under the Interlocal Agreement with Wells Branch Municipal Utility District. Ms. Oliver advised the Board that Mr. Williams was unable to attend the meeting, but reported that the water meter had been installed at the dog park earlier in the day. Director Richter advised Mr. Morin that it had taken three weeks to get the meter from his company. Ms. Oliver stated that she would be addressing the fences which the Board had expressed concern about, and Director Richter raised an issue regarding a vacant lot on Lampting. She stated that the lot was overgrown, and that this had happened a number of times previously. After discussion, the Board agreed that it would like the ability to mow and clean up the lot, and backcharge the property owner. Ms. Littlefield agreed to pull the file relating the lot, and to prepare a recommendation for the Board's consideration at its next meeting.

Director Campbell then recognized Mr. Cowan, who stated that his first report on covenant enforcement in the Wildflower subdivision was included in the Board's meeting packet. He stated that he had now updated that report, and that it was 36 pages long and included 84 residences. He stated that a number of the homes had multiple violations, but that he felt many were making good progress towards coming into compliance. He also advised the Board that he had received an email from one of the Wildflower Homeowners' Association board members after the board member had been cited for a covenant violation. He noted that one particular homeowner had constructed a balcony at the rear of her home without Architectural Control Committee approval, and that he had directed that the balcony be removed. He stated that she had subsequently requested Architectural Control Committee approval of the balcony, and noted that the house in question had eight other violations. He stated that the good news was that there were a lot of conversations going on and that, overall, he was pleased with the improvements he was seeing. He stated that the Homeowners' Association had hired a contractor for the maintenance of the alleyways, but noted that there was an ongoing problem with trash in the alleys. Director Richter concurred, noting that this was a significant problem, and that large items, including transmissions and mattresses, were being left in the alleyways. Mr. Cowan and Director Richter concurred that Segovia Way appeared to be the area that needed the most attention. Director Richter stated that this was an important issue to the Board, and asked for Mr. Cowan's assistance in seeing that the trash was cleaned up. Mr. Cowan indicated that he had confirmed that the Homeowners' Association's assessments would be up-to-date soon, and also reported that new signs regarding covenant enforcement had been installed.

Director Campbell noted that there was also an item on the Board's meeting agenda to discuss the Wildflower Homeowners' Association's request for a CMU wall. The Board reviewed an email from Mr. Cowan, attached as **Exhibit "E"**. Director Campbell pointed out that Mr. Doering, the previous developer in The Village @ Northtown, was no longer involved in that project according to Mr. Nias, but that Mr. Nias, the attorney for the project, was present. He suggested that Mr. Cowan open a dialog with The Village @ Northtown through Mr. Nias. Director Campbell inquired whether the District still had a budget item for costs participating in this fence, and Director Richter responded that the Board had allocated some money to assist in the construction of a fence along McAllen Pass. The Board concurred that it was desirable to install a fence in the area, for safety and noise reduction standpoint.

Director Campbell stated that the Board would next consider park development matters, including receiving a Parks Subcommittee report. Director Richter reported that the 50 acre park looked amazing, and that the trail system was being expanded. She noted that Mr. Williams was also constructing a regulation soccer field. She discussed the Parks Subcommittee's proposal to install irrigation wells, and also commended Mr. Williams and Mr. Fadal for doing an incredible job on the park and its improvements. She stated that the clean-up work had opened up a lot of new parkland, but noted that there had been a significant amount of damage done to the Wildflower Trail in connection with the construction by The Village @ Northtown on adjacent property. Mr. Nias stated that Clifton Lind, a principal of The Village @ Northtown, had confirmed that his partnership would restore any damage to the trails.

Director Campbell then recognized Mr. Fadal, for purposes of receiving a landscape maintenance report. Mr. Fadal reviewed his report, and also advised the Board that he would be submitting a report for the beautification of the entryways and upgrade of the signage soon. Director Richter reported that Mr. Williams had repaired the lights at the entryway to Meadow Pointe.

Director Campbell then stated that the Board would receive a report from the District's general manager. Mr. Morin reported that the District had experienced a 4.98% water loss during the previous billing period, and also advised the Board that water conservation notices had been sent out with the most recent bills. He noted that this was consistent with the City of Austin's requirements. Director Campbell asked that Mr. Morin provide him with a copy of the water conservation notice to put on the District's website, and Mr. Morin agreed to do so. Mr. Morin stated that he had been working with the City of Austin on the Tech Ridge master meter issue, and was also working with Mr. Jones to determine where the breach of the systems was occurring. Mr. Jones advised the Board that there were two meters serving the area, one of which was connected to the City's high pressure plane, and one of which was connected to the low pressure plane. He stated he was not sure when the split between the two pressure planes had been made, but noted that the total usage between the two meters was consistent, although one of the master meters was no longer registering. He stated that it was his opinion that one of the valves was leaking. Mr. Morin stated that the City recognized that the usage was consistent, but was continuing to do some investigation to determine why one of the master meters was being bypassed. Ms. Littlefield inquired whether the City had asked the District to excavate the valve to determine if it was leaking, and Mr. Jones and Mr. Morin indicated that the City had not. After discussion, the Board agreed that no further action should be taken in connection with this issue, unless the City of Austin requested it and, in that case, the request should be placed on the Board's next meeting agenda for consideration.

Mr. Morin reported that the Capitol Recovery Fee reconciliation that had been requested by Lisa Martinez of the City of Austin had been provided, and that he had determined that her information had been based on the District's audit numbers, rather than on his company's figures. He stated that the City was performing its reconciliation based on active connections, which had nothing to do with actual connections. In conclusion, he stated that this matter was back in the City of Austin's court.

Mr. Morin then presented the list of write-offs attached as **Exhibit "F"**, and recommended approval. He noted that one write-off was a large amount, \$516.14. After discussion, the Board agreed that Mr. Morin should provide backup information on any write-off

over \$300. After further discussion, upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the write-offs.

Mr. Morin then presented the transfer letter attached as **Exhibit "G"**, to cover the checks being presented at the Board meeting. Director Campbell pointed out that the transfer letter included the District's account numbers, which the Board had previously directed not be included in the packet information. Mr. Morin agreed to correct the problem. Director Campbell pointed out that the Lake at Tech Ridge needed to replenish its developer's escrow account, and Mr. Morin stated that he would make sure that this had been invoiced. Mr. Morin then reviewed the bills and invoices received by the District, noting that Check No. 8534 to the City of Austin had been approved with two signatures at the previous Board meeting, and that he was requesting another check be approved in the same manner, to cover water and wastewater services payable to the City for the current month, as the bill had not yet been received. Director Richter recommended that Mr. Morin confirm the per diems payable to Director Henderson, noting that he had not attended the Parks Subcommittee meeting the previous evening. Mr. Morin requested approval of Check No. 8609 to the City of Austin with two signatures and Check No. 8608 to Director Richter in the amount of \$277.05, in addition to the checks presented on the check register attached as **Exhibit "H"**. Director Richter advised the Board that Director Henderson had reviewed the bills and invoices, and recommended approval. After discussion, Director Richter moved approval of the payment of the bills and invoices as presented, subject to the verification of the per diems due to Director Henderson. Director Gray seconded the motion, which was unanimously adopted.

Mr. Morin then advised the Board that he had received a complaint from a resident at 13715 Cambourne Drive regarding his account, and explained that service to the residence had been disconnected in error, the resident had been billed for re-establishing service, and the necessary billing adjustment had not been made by his office. After discussion, the Board directed Mr. Morin to correct the account and to delete any charges that had accrued while service had been terminated, including the charges relating to the erroneous termination.

Director Gray then raised a question regarding information included in the budget forecast, and the Board briefly discussed the District's annual budget process.

Director Campbell then stated that the Board would consider taking action regarding management, operations and bookkeeping services. Director Campbell reported that he and Director Richter had met with Mr. Morin and representatives of Peña Swayze & Co., L.L.P. and had clarified some of the functions which would be provided by the two companies, in order to assure that there was no duplication of services and related charges to the District. He stated that this had left a question about when the transition of services from SWWC Services to Peña Swayze & Co., L.L.P. should be made, noting that he felt it probably would make most sense to do this at the end of the fiscal year. He suggested that the Subcommittee continue to work on developing a contract with Pena Swayze & Co., L.L.P., with a later start date and delay the transition until October 1st. He noted that this recommendation affected the other items under the management, operations and bookkeeping services, noting that the revised contract with SWWC Services needed to be tied to the new bookkeeper's beginning work. Mr. Morin confirmed that he was in agreement on the proposed allocation of duties, and stated that he would continue to discuss his scope of services with the Subcommittee. Ms. Littlefield inquired whether SWWC Services would have any difficulty in providing the books and records that needed to be

furnished to the District's auditor while simultaneously transitioning bookkeeping services to Pena Swayze & Co., L.L.P. Mr. Morin stated that his company could provide a duplicate set of the books and records. Director Campbell stated that he hoped that the Subcommittee would be able to present a contract recommendation to the Board at the next meeting.

Director Campbell then stated that the Board would receive a report from the District's attorney. Ms. Littlefield reviewed her directives from the previous Board meeting, and distributed copies of a map showing the area of trail overlap onto The Village @ Northtown's property, a copy of which is attached as **Exhibit "I"**. Director Richter stated that the damage to the trail dramatically exceeded the slight overlap which was shown on the map, and Ms. Littlefield agreed to do further investigation. She reported that the District was proceeding with the lawsuit with regard to the fence at 15321 Mandarin Crossing.

Director Campbell then stated that the Board would receive a report from the District's engineer, and recognized Mr. Jones. Mr. Jones reported that KB Homes' Section 3 was on hold, and, after discussion, the Board asked that Ms. Littlefield contact John Zinsmeyer and ask for a sales report, so the Board could be informed as to sales activity within that subdivision. Mr. Jones indicated he was proceeding with the 2008 Bond Application. Ms. Littlefield distributed the foreclosure report attached as **Exhibit "J"**, noting that Ms. Allen's office had assembled this report for the Board's information. The Board agreed that it would like to continue to receive the foreclosure report on an ongoing basis, and Ms. Littlefield agreed to advise Ms. Allen's office.

Director Campbell then stated that the Board would consider taking action regarding water and wastewater service to Settlers Meadow. Mr. Jones reported that Pate Engineering was proceeding with the wastewater project to serve Settlers Meadow, and presented the additional proposal for services attached as **Exhibit "K"**. Director Campbell requested clarification of the proposal, and inquired whether the original proposal for services for Settlers Meadow project included this work. Mr. Jones indicated that it had been included, but that the scope was now different, as the work had been split into two projects. Director Campbell inquired whether Mr. Jones recommended approval of this proposal, based upon the information which he had, and Mr. Jones stated that, based on what he knew and as well as the increased cost of the work, he did recommend approval. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the proposal.

Director Campbell then stated that the Board would receive reports from developers' and landowners' representatives. Mr. Nias and Ms. Loayza addressed the Board, noting that they had previously met with the District's Subcommittee, consisting of Director Campbell and Director Martinez, on the proposal to amend the land plan applicable to The Village @ Northtown. Mr. Nias indicated that the change in the land plan was necessary in order for The Village @ Northtown to obtain final plat approval and reminded the Board that the developer had been working on the roadways to serve the project, which had affected alignments and tract sizes. He stated that he and Ms. Loayza had met with the City of Austin, and that the City staff had indicated that it could approve the amendment administratively as long as the developers stayed within certain parameters outlined in the Sixth Amendment to the District's Consent Agreement. Director Campbell pointed out that the proposal included shifting the location of certain parkland identified in the land plan related to the Sixth Amendment. The Board agreed that the Parks Subcommittee should also review the proposed changes. Mr. Nias indicated that his client would

like the Board to act on the proposed land plan amendment at its August meeting, in order to allow the administrative approval to be obtained before the preliminary plat expired.

There being no further business to come before the Board, the meeting was adjourned at 8:06 p.m.

Date: _____.

(SEAL)

Scott M. Gray, Secretary
Board of Directors