

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

July 26, 2016

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 July 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"**.

The following members of the Board were present, constituting a quorum :

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

Director Campbell was absent. 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"); Scott Foster of 360 Professional Services, Inc.; Allen Douthitt of Bott & Douthitt, PLLC; Deputy Oscar Gonzalez of the Travis County Sheriff's Department; Richard Fadal of TexaScapes, Inc.; Cheryl Allen of Public Finance Group, LLC; Clayton Chandler of McCall, Parkhurst & Horton, LLP; Lee Hill, a resident of the District; and Sharon Smith of Armbrust & Brown, PLLC ("A&B").

Director Richter called the meeting to order at 5:48 p.m. and stated that the Board would first receive resident communications and Board member announcements. She recognized Mr. Hill, who first mentioned that he had been working hard to get Travis County (the "County") to mow certain property. He then noted that, as property values increased, the District would see increased tax revenues and requested that the Board consider adopting a homestead exemption of 3% to 5%, or \$5,000, per homestead. He calculated that, if every house with a wastewater connection were granted a \$5,000 exemption, that would cost the District approximately \$108,000, but added, that some properties were not owner-occupied and based on his estimate of the number of properties that would qualify for a homestead exemption, the total cost to the District might be approximately \$50,000 to \$70,000, with an average tax reduction of \$36 per household per year. He continued that such an exemption would not reduce the District's budget but would only slow the increase in District tax revenue. Mr. Hill then stated that the majority of utility bill write-offs were caused by rental properties, and that he would like the Board to consider a method to distinguish owner-occupied and rental properties so that rental properties would not create costs that fell disproportionately on property owners. He suggested that owners of rental properties should perhaps pay more in taxes, fees, or utility rates than other property owners. The Board noted that A&B would need to advise the Board on the legality of such proposals

if the Board wanted to explore any of them further. Director Haught asked what other districts offered a homestead exemption and Mr. Hill mentioned Wells Branch and Shady Hollow Municipal Utility Districts. Ms. Allen stated that she could provide a financial analysis to the Board regarding the effect of various homestead exemption options on property owners and the District budget. Director Richter recommended that the Finance Subcommittee work with Ms. Allen on the matter. Mr. Hill requested that the results of any analysis be forwarded to him.

Director Richter then stated that the Board would consider the election-related items on the Board's supplemental meeting agenda: the Order Calling Director Election for November 8, 2016 attached as **Exhibit "B"**; the form Election Agreement with Travis County and form Joint Election Agreement for the November 8, 2016 Election, including the Resolution Approving Election Agreement between Travis County and Northtown Municipal Utility District and Joint Election Agreement for November 8, 2016 Elections attached as **Exhibit "C"**; and authorizing the District's legal counsel to give notice of the Director Election for November 8, 2016. After discussion, upon motion by Director Haught and second by Director Capers, the Board voted unanimously to approve the items on the supplemental meeting agenda.

Director Richter then stated that the Board would consider approving the consent items on the Board's meeting agenda: the minutes of the June 28, 2016, Board meeting; the Contract for Maintenance and Operation of Retail Utility System attached as **Exhibit "D"**; and a revised District Registration Form ("*Registration Form*"). Director Richter requested that the Registration Form not include her business phone number. Upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the consent items, including the Registration Form, as revised.

Director Richter stated that the Board would next discuss the District's proposed Refunding Bonds, Series 2016. She recognized Ms. Allen, who explained that she periodically evaluated whether the District could refund some of its bonds at a lower interest rate, escrow the proceeds to pay off outstanding bonds, and, because the new bonds would have a lower rate, save the District money. She presented the refunding analysis attached as **Exhibit "E"**. She stated that the proposed refunding would result in a total savings of \$474,306, and that the combined debt service savings from the six District refunding issues would total \$2,112,049. She noted that the proposed refunding would need the approval of the City, which would require that the net present value of the savings be at least 4.25%, and that the proposed issuance would exceed that savings. She described the method by which the underwriter and purchasers would be chosen and discussed her expected recommendation of Hutchinson, Shockey, Erley and Co. Mr. Chandler 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; Approving an Official Statement; Authorizing the Execution of a Bond Purchase Agreement, and the Form of a Paying Agent/Registrar Agreement and an Escrow Agreement; Establishing Procedures for Selling and Delivering the Bonds; and Authorizing Other Matters Related to the Issuance of the Bonds ("*Bond Order*"), attached as **Exhibit "F"** and reviewed it with the Board. He discussed delegation of pricing procedures and recommended Directors Campbell and Amaro be designated as pricing officer and alternate pricing officer. He

explained that, as pricing officers, they would have authority to approve refunding terms for the District. He stated that the maximum maturity for the refunding bonds would be September 1, 2031, and that the maximum principal amount of the refunded bonds would be \$9,550,000, providing for the amounts within the refunding analysis, but allowing for a few more callable bonds if needed. He noted that the delegation of pricing authority to Directors Campbell and Amaro would expire six months from the date of approval, i.e., January 26, 2017. He also recommended that certain pricing parameters be left unspecified in the Resolution Authorizing Application to the City of Austin for Approval of Proposed Unlimited Tax and Revenue Refunding Bonds, Series 2016 ("Resolution"), attached as **Exhibit "G"**, in order to allow for changes to the pricing parameters by the pricing officers without requiring reconsideration by the City. Directors Richter and Amaro discussed that the approval of the bond refunding items would position the District to approve issuance of the refunding bonds, and that a final decision at the time of the proposed issuance would depend on interest rates at that time. Ms. Smith requested that the Board also authorize the payment of Attorney General bond review and filing fee. After discussion, upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to approve the Bond Order, delegated pricing procedures, and Resolution, and authorize the payment of Attorney General bond review and filing fee.

Director Richter stated that the Board would next receive the security report and recognized Deputy Gonzalez. Deputy Gonzalez spoke in tribute to Travis County Sheriff's Department Sergeant Craig Hutchinson, who had been killed while on duty earlier that week. Deputy Gonzalez explained that, in 2012, a nightclub stabbing had been reported and he and Sergeant Hutchinson conducted a K-9 search for the perpetrator, who was believed to be in Round Rock, and had discovered the perpetrator with Sergeant Hutchinson leading the way. Deputy Gonzalez stated that Sergeant Hutchinson was one of a handful of true leaders and that the Department had lost a good man. After a moment of silence by those present at the meeting, Deputy Gonzalez provided his monthly report. He advised that there had been one auto theft off of Gray Castle and that the perpetrator was quickly caught. He mentioned several other counts of auto-related burglary and criminal mischief. Deputy Gonzalez stated that he was pleased to report that there had been no burglaries of residences for the entire month of June. Director Amaro replied that those numbers were fantastic and conveyed his condolences to Deputy Gonzalez regarding the loss of Sergeant Hutchinson. The Board agreed that the District would support the deputies in matters relating to the loss of Sergeant Hutchinson, including facilitating the deputies' attendance at his funeral service. Ms. Oliver then reviewed the expenses that had been incurred for National Night Out, attached as **Exhibit "H"**. She mentioned that the District had received donations from several District consultants and that there might be one additional consultant contribution pending.

Director Richter then stated that the Board would consider landscape maintenance matters and recognized Mr. Fadal, who presented his report, attached as **Exhibit "I"**. He discussed the plant of the month, the Yucca Filamentosa. He mentioned that it liked a southern exposure and protection from north winds, and that it thrived with good drainage and high planting. He continued that it did well with six hours of sun per day and grew well in pots. He mentioned to the Board that, in times of

drought, mulch only needed to be one to two inches deep because, with thicker mulch, such as three to four inches deep, more water was required to get to the plants. Director Amaro asked about the condition of the ball fields. Mr. Fadal responded that they would remain closed for the remainder of July and would be re-evaluated at the beginning of August.

Director Richter stated that the Board would next receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver called the Board's attention to her monthly reports, attached as **Exhibit "J"**, and noted that she had nothing to report on the restrictive covenant violations and enforcement actions. She added that she did not yet have a firm estimate from Central Texas Water Maintenance on repair of the well system.

Director Richter stated that the Board would next receive a report from the Median and Right-of-Way Maintenance Subcommittee. Director Capers stated that the Subcommittee was still in the information-gathering stage. He explained that he and Director Haught had made a lot of progress but had some questions for Ms. Littlefield, and needed some additional mapping assistance from Mr. Foster. He added that they had considered what areas should be included in the proposed license agreement with the County. The Board then discussed developing a policy with criteria for determining what medians would be maintained and how the decision might be affected if the medians were bordered by property within, or owned by, the District. Director Amaro stressed that the Board did not want District action to relieve the City or County of its responsibilities and recommended timing District maintenance accordingly. Director Richter stated the item would remain on the Board's meeting agenda until it was resolved.

Director Richter stated that the Board would next discuss Parks Subcommittee items. Mr. Foster stated that, based upon the anticipated construction cost of the limestone quarry block vehicular barrier project, he was requesting authorization to prepare limited plans and specifications and solicit bids, for an amount not to exceed \$2,500. After discussion, upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the requested authorization bids. Director Amaro asked if Mr. Foster could provide information at the next Board meeting about what would be required for Mr. Foster to oversee the work on the project, and Mr. Foster responded that he would work with Ms. Oliver to do so. Mr. Foster then discussed the Merseyside greenbelt surveying project to help identify greenbelt ownership and determine District maintenance responsibilities. He requested authorization for additional field review and surveying work in an amount not to exceed \$2,500. Director Richter explained that maintenance procedures would be an item for future Board consideration once the greenbelt area ownership was determined and the Board had engaged in additional consultation with Ms. Littlefield. After discussion, upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approve the authorization for the additional field review and surveying work.

Director Richter then stated that the Board would discuss the engineer's report attached as **Exhibit "L"**. Mr. Foster reported that he had spoken with Mr. Clifton Lind

of Village@Northtown, Ltd. and he had a number of related items to discuss with the Board. With regard to the Harris Ridge Extension Project, Mr. Foster stated that Mr. Lind intended to engage a contractor to complete the pond, which Mr. Lind expected to have completed by the end of the year. Mr. Foster stated that he had discussed with Mr. Lind reimbursement for the cost of the trees that had been removed rather than planting new trees as originally agreed. The Board directed Mr. Foster to work on an amendment to the easement agreement between the District and the developer with regard to that requirement. Mr. Foster then stated that he had received approval from the Texas Commission on Environmental Quality that day for the District's MS4 annual report. He mentioned that he had requested fence samples as part of the fence and facility assessment, but the potential vendor had been slow to provide the samples and he hoped to have them for the Board's August meeting. He noted that the Infrastructure Subcommittee had approved the separated Fence and Facility contracts attached respectively as **Exhibits "M"** and **"N"** with his firm, as discussed at the June Board meeting. Mr. Foster then reported that the concrete trail being considered in lieu of a pedestrian bridge could potentially be underwater during rain events. Director Richter explained that, to add a bridge, the District would have to conduct a floodplain-related study for the Federal Emergency Management Agency, and that the Parks Subcommittee wanted to investigate the alternative of a low water crossing. Mr. Foster added that the Parks Subcommittee had considered seeking an easement to extend the trail towards the school. The Board directed Mr. Foster to bring a proposal for design and permitting services for a concrete trail, and acquiring the necessary easement, to the August Board meeting.

Director Richter then recognized Mr. Douthitt, who presented the updated cash activity report attached as **Exhibit "O"**. He recommended approval of a transfer from the District's JP Morgan Chase operating account to the JP Morgan manager's account in the amount of \$14,700, a transfer from the District's Logic operating account to the JP Morgan Chase operating account in the amount of \$150,000, and a transfer from the District's Compass lockbox account to the TexPool general operating account in the amount of \$100,000, as set forth in his report. Mr. Douthitt then reviewed the Director and vendor payments. He mentioned that, although Director Campbell was not present at the Board meeting, he had met with Ms. Allen earlier so his per diem check would not be voided. Mr. Douthitt recommended approval of seven bond payments as noted in his report. He called the Board's attention to the fact that a number of persons had moved out of the District, which accounted for the large number of customer deposits refunds. He added that he anticipated meeting with the Budget/Finance/Investments Subcommittee. He stated that he had received the District's preliminary certified property value and that, in 2015, the value was approximately \$578,000,000 and, for 2016, the preliminary value was approximately \$650,000,000. He added that, to stay below the rollback rate, the District would need to lower the current tax rate by more than 2 cents per \$100 valuation. He noted that, at the Board's August meeting, the Board would approve a proposed tax rate at the highest amount it would consider adopting, but that it would be able to approve a final tax rate at a lower amount at its September meeting. After discussion, upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the payment of the bills and invoices, the transfers, and the bond payments as recommended.

Director Richter then recognized Mr. Anderson for purposes of receiving the general manager's report. Mr. Anderson presented Crossroads' report, attached as **Exhibit "P"**. Mr. Anderson noted that the District had 2,947 occupied single-family connections, a total of 3,837 accounts, and an estimated population of 10,086 as of June. He reported that the District had received satisfactory lab results for its water samples during the prior reporting period, and had experienced a water loss of less than 5% during the prior reporting period. Mr. Anderson then called the Board's attention to the write-offs set forth on **Exhibit "Q"**, and recommended their approval. He stated that, in the preceding month, Crossroads had terminated a customer's water service for nonpayment, but had failed to note that the customer had turned the water back on. He continued that the account had resulted in a write-off of \$725.91 for the month of June and that, in August, Crossroads would credit the District with \$400 on its invoice as a result of its failure to verify that the service remained terminated. The Board agreed that, if the write-off was collected, Crossroads should be reimbursed. Mr. Anderson also stated that Crossroads would institute an informal policy that, after one customer check was returned for insufficient funds, Crossroads would terminate water service. After discussion, upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approve the recommended write-offs.

Director Richter asked Ms. Smith whether she had any new information relating to the wholesale rate case, and Ms. Smith replied that she did not.

Director Richter then stated that the Board would receive the attorney's report. Ms. Smith reviewed the schedule for adoption of the District's 2016-2017 budget and 2016 tax rate, and requested that the Directors put the August and September Board meeting dates on their calendars, since it was essential that a quorum be present at both meetings. All of the Directors indicated that they would be present at the August 11 Board special meeting.

There being no other business to come before the Board, upon motion by Director Capers and second by Director Amaro, the Board voted unanimously to adjourn the meeting at 6:50 p.m.

(SEAL)

Kathy Haught, Secretary
Board of Directors

Date: August 23, 2016