

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

August 23, 2011

THE STATE OF TEXAS           §  
  §  
COUNTY OF TRAVIS           §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on August 23, 2011, 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 roll was called of the members of the Board:

|                     |   |                     |
|---------------------|---|---------------------|
| Robin Campbell      | - | President           |
| Brenda Richter      | - | Vice President      |
| Scott M. Gray       | - | Treasurer           |
| Alex Martinez       | - | Secretary           |
| Felix T. Amaro, Jr. | - | Assistant Secretary |

and all of the Directors were present, except Director Gray, who arrived later, and Director Martinez, thus constituting a quorum. Also present at the meeting were Deputy Keith Kinnard of the Travis County Sheriff's Department; Mona Oliver, the District's on-site manager and covenant administrator; Robert Anderson of Crossroads Utility Services, LLC ("Crossroads"); Allen Douthitt of Bott & Douthitt, PLLC; Cheryl Allen of Southwest Securities; Richard Fadal of TexaScapes, Inc.; Scott Foster and Michael DeMotte of Kimley-Horn & Associates, Inc., Brian Toldan of McCall Gibson Swedlund Barfoot, PLLC; Lee Hill 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 stated that the Board would first receive resident communications and Board member announcements. Ms. Littlefield called the Board's attention to the request by Gary Edwards relating to Parkway Gardens' billing date. Mr. Anderson reported that Parkway Gardens' accounts had only been late one time since Crossroads had been providing services to the District. Director Richter stated that she was not inclined to establish this type of precedent and the Board concurred. No action was taken on the request. Ms. Littlefield agreed to notify Mr. Edwards.

Director Campbell stated that the Board would next consider approving the consent items on the Board's meeting agenda: the minutes of the July 26, 2011 and August 9, 2011 Board meetings; the Resolution Adopting GASB 54 Standards and Applications attached as **Exhibit "B"** and the proposal from McCall Gibson Swedlund Barfoot PLLC for the audit of the District's financial statements for the fiscal year ending September 30, 2011 attached as **Exhibit "C"**. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the consent items. The Board welcomed Mr. Toldan as the District's auditor. Mr. Toldan advised the Board

that he had included his Firm's standard SAS 99 letter in the information provided to Ms. Littlefield. Ms. Littlefield advised the Board that this document would be placed on the agenda for discussion at the next Board meeting, and would form the basis for the representation letter which would be signed by the District at the time the audit was presented. Mr. Toldan thanked the Board and excused himself from the meeting.

Director Campbell stated that the Board would next discuss the District's 2011-2012 budget and 2011 tax rate and recognized Ms. Allen, who presented the tax and valuation information attached as **Exhibit "D"**. She noted that the Travis County Appraisal District had adjusted the District's assessed value, and explained that this was the result of the resolution of certain accounts that had been protested. She noted that the District's average home value had dropped since 2010, which was the major cause of the decrease in the total assessed value. Ms. Littlefield pointed out that Village @ Northtown had protested its taxable value for 2010 as well as 2011, which could potentially result in a further decrease in the total. Ms. Allen stated that the Village @ Northtown's total taxable value was about \$3,500,000, and added that she thought they were attempting to claim an agricultural exemption. Ms. Littlefield stated that, in this case, she would remind the Appraisal District of the waiver which had been executed. Ms. Allen then advised the Board that she was recommending that the District maintain the same overall tax rate of \$0.75 per \$100 assessed valuation, although the breakdown would change to \$0.4584 for debt service and \$0.2916 for operations. Ms. Allen reviewed the projected growth in the assessed value, based on 25 homes being added in 2011 and 26 in 2012. Ms. Allen stated that the debt service for the Series 2011 bonds was not included in the projected 2011 debt service rate, but would be included in the 2012 tax rate, which would result in an increase in the debt service tax rate to \$0.5150, with a corresponding reduction in the operations and maintenance tax rate. Mr. Douthitt then reviewed the revised draft budget, which he explained adjusted revenue based on the revised certified assessed value and increased rental expense based on the annual adjustments to the rent payable under the District's lease. He advised the Board that the City of Austin was increasing the District's wholesale water rates by 10.4% and wholesale wastewater rates by 3.75%, and recommended that the Board consider revising its retail rates to cover the higher cost of wholesale service. Mr. Douthitt noted that the budget would not be finalized at this meeting. Ms. Allen then reviewed the draft notice of the public hearing on the tax rate, and reminded the Board that the form of the notice was mandated by State law. She noted that, due to the decrease in the average home value within the District, the effect on the average homeowner of the District's maintaining the same tax rate would be a decrease in the tax bill paid. Ms. Littlefield reviewed the items which needed to be acted upon at this meeting with the Board and, upon motion by Director Richter and second by Director Amaro, the Board voted to adopt a \$0.75 proposed tax rate, with Directors Campbell, Richter, Gray and Amaro present and voting "yes" and Director Martinez absent and not voting. Upon motion by Director Amaro and second by Director Richter, the Board voted unanimously to call a public hearing for September 27, 2011 at 5:45 p.m. and to authorize publication of notice of the public hearing.

Director Campbell then stated that the Board would receive a report from the District's financial advisor and recognized Ms. Allen. Ms. Allen reviewed the foreclosure report, noting that there had been two foreclosures in July and 21 year-to-date foreclosures. She noted that, since 2008, there had been a total of 144 foreclosures in

the District. Ms. Allen then presented the information relating to the District's 2011 bond application attached as **Exhibit "E"** and explained that the original bond application had been for \$5,150,000 and included reimbursements for the Lakes at Tech Ridge and the Lakes at Northtown, Sections 1-3, plus the projected cost of the low flow lift station upgrade. She noted that, due to the decrease in the cost to rehabilitate the low flow lift station, the Board had options relating to the amount of bonds to sell. Ms. Allen explained that, if the Board chose to include the Lakes at Northtown, Sections 4 and 5, it would bring the issue back up to the original amount. She stated that the lots in Section 4 had been completed as of January 1, 2011, and that homes were now under construction. Ms. Allen added that Section 5 was expected to be developed in 2012. Ms. Allen stated that the Board also had the option to sell a lesser amount of bonds, and reimburse the developer for Section 4 only, since those lots were actually on the ground. She stated that the last option would be to sell \$3,950,000 in bonds, which would not include any reimbursements for Sections 4 or 5. Ms. Allen stated that this could potentially result in the developers requesting that the District proceed with an additional issue of about \$1,300,000 very soon. The Board agreed that it was most interested in the second option, which would require a \$4,790,000 bond issue. Ms. Allen reviewed the proposed schedule for the bond sale and closing and the Board tentatively agreed to hold a special meeting on September 22 at noon at the offices of Armbrust & Brown, PLLC to sell the bonds. Ms. Allen then presented the Resolution Permitting Financial Advisor to Bid on the District's Unlimited Tax and Revenue Bonds, Series 2011 attached as **Exhibit "F"** and reviewed it with the Board. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the Resolution. Ms. Allen then presented the Resolution Approving Preliminary Official Statement and Authorizing Distribution of Preliminary Official Statement and Publication of a Notice of Sale of Bonds and Payment of the Attorney General Bond Review Fee attached as **Exhibit "G"** and reviewed it with the Board. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the Resolution. Ms. Allen then recommended that the Board select Bank of Texas as the District's paying agent/registrar for the bond issue at a fee of \$400 per year. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve Bank of Texas as the District's paying agent/registrar.

Director Campbell then recognized Deputy Kinnard for purposes of receiving a report regarding District security. Deputy Kinnard reported that he had hoped the Vice President of the Brookfield HOA would be in attendance, as he had been working with him extensively over the last month. He reported that he was being issued an access card so he could get into the Brookfield Pool after hours, which would make it easier to patrol that facility. He noted that the District was having problems with vandalism of its sprinkler heads, and added that this problem had initially been experienced in Brookfield. He asked Ms. Oliver to review the security video for August 21<sup>st</sup> to see if she could identify the individuals responsible for the vandalism. Mr. Fadal stated that he could narrow down the times during which the vandalism had occurred to make it easier to do this. Mr. Fadal stated that his crews had reported the vandalism to Mr. Robles. Ms. Oliver requested that a police report be filed by Mr. Fadal's crews if any vandalism was observed, and he agreed they would do so. The Board then discussed vandalism of a contractor vehicle while it was parked at the low flow lift station. Mr. Anderson requested increased police patrols at the lift station while the upgrade work was being

done and Deputy Kinnard agreed to coordinate these. Director Richter proposed installing additional security cameras in the area and, after discussion, moved approval of the purchase of two video cameras and a game camera. Upon second by Director Amaro, the motion was unanimously adopted. The Board directed that Mr. Robles periodically review the videos for any activity observed between 2:00 a.m. and 6:00 a.m. Upon motion by Director Gray and second by Director Richter, the Board voted unanimously to approve the payments to the Travis County Sheriff's Department as set forth on the bookkeeper's report attached as **Exhibit "H"**.

Director Campbell stated that the Board would next receive a report from the District's on-site manager and recognized Ms. Oliver. Ms. Oliver reported on her directives, noting that she was still working on keeping people off the soccer fields, although she frequently found the signs she had installed taken down. She stated that she had met with the contractor that the Brookfield HOA president had recommended for installation of a projector in the ceiling of the Board's meeting room, as discussed at the prior Board meeting, and reported that the contractor had quoted a cost of \$1,790, without the projector. Director Richter suggested that she and Director Gray make a decision on the type of projector and bring a proposal to the Board for action at the next meeting. Ms. Oliver then reviewed her recommended locations for the new park rules signs. Ms. Oliver stated that she had sent a note to the owner of the property next to the District sign by Wildflower about the scheduled removal of the sign and advised the Board that she had obtained an estimate to remove the three remaining old District signs at a cost of \$750. Ms. Oliver stated that the contractor had done a good job with the prior removal. Upon motion by Director Gray and second by Director Amaro, the Board voted unanimously to approve the proposal by T Bar M, attached as **Exhibit "I"**. Director Gray suggested allowing the Wildflower resident at least a week to reply to Ms. Oliver's letter before the sign was removed, and Ms. Oliver concurred. Ms. Oliver then reported that the District's ATV had arrived. She asked that Deputy Kinnard require all of the deputies to watch the safety video for the ATV before operating it, and he agreed to do so. Deputy Kinnard suggested that the ATV be made "street legal" so that it could cross the street. The Board asked that Ms. Oliver obtain a quote to do this and bring it back to the Board at the next meeting. The Board also directed Ms. Oliver to obtain insurance for the ATV. Director Richter directed Ms. Oliver to buy extra bagged concrete mix to store at the District office so the staff didn't have to purchase it so frequently. Director Amaro suggested using a polymer to help stabilize the granite trails in areas where there were frequent wash-out. Mr. Fadal stated that he had worked with this type of product and it did reduce the frequency of replacing the granite. Ms. Oliver then requested authorization to purchase a blower, chain saw and edger at a cost not to exceed \$836.80 and reviewed the proposal attached as **Exhibit "J"**. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to authorize the purchases. Ms. Oliver then advised the Board that she estimated the cost to repair the Battenburg Bridge was about \$837 and presented the proposal attached as **Exhibit "K"**. Upon motion by Director Gray and second by Director Richter, the Board voted unanimously to authorize this work to be scheduled when the weather was conducive. Ms. Oliver stated that the covenant violation at 13801 Spring Heath was still outstanding. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to authorize one final letter to be sent, with one week allowed for correction of the violation and, if no resolution was reached, to authorize a lawsuit to be filed. Ms. Oliver reported that the covenant violation at 13809 Spring Heath had also

not been corrected. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to authorize the same final letter to be sent, with authorization to move forward with litigation if the violation was not cured within a week thereafter. Ms. Oliver then reported that the covenant violation at 808 Tapestry had also not been corrected. Upon motion by Director Amaro and second by Director Gray, the Board voted unanimously to authorize the same letter, with authorization to move forward with litigation if the violation was not cured within a week thereafter. The Board directed that these letters be sent in plain white envelopes, hand-addressed and with a stamp on them.

Director Campbell then stated that the Board would receive a report from the District's landscape contractor and recognized Mr. Fadal. Mr. Fadal reviewed his report, attached as **Exhibit "L"**, and stated that his crews were doing more hand-watering than ever before and were doing their best to keep trees and planted material viable at no extra charge. He reported that, in the wet ponds, the water was getting so hot that the fish were dying. Mr. Fadal also reported that, on September 6<sup>th</sup>, the City of Austin was going to mandatory once-a-week outdoor watering. He stated that he would work with the Board's subcommittee and Mr. Anderson on a park watering plan, and would generally attempt to adhere to the City's plan, but would also work on obtaining a variance as necessary for park watering. The Board instructed Mr. Anderson to put a notice about the watering restrictions in the next utility bills, and directed Ms. Oliver to put up temporary signs notifying the residents of the water usage restrictions. The Board agreed that notice should also be placed on the District's website. Director Richter moved that Ms. Oliver be authorized to purchase up to 10 sign frames and up to 20 sign inserts. Upon second by Director Gray, the motion was unanimously adopted.

Director Campbell then recognized Mr. Foster for purposes of receiving the engineer's report. Mr. Foster reviewed his report, attached as **Exhibit "M"**. He advised the Board that he had completed his directives and that the contractor was underway with the pond maintenance work. Mr. Foster stated that the contractor was doing a good job and was a good communicator. Mr. Foster then presented Change Order No. 1 in the amount of \$1,825, to stabilize a rock wall, attached as **Exhibit "N"** and recommended approval. After discussion, upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the Change Order. Mr. Foster reported that the low flow lift station project was underway, and that he anticipated completion within the next three months. He advised the Board that Mr. DeMotte was present to present the potable water master plan report. Mr. DeMotte then distributed the report, a copy of which is in the District's permanent files. He stated that more research needed to be done on the existing ground storage tank site to confirm ownership. He reviewed the executive summary attached as **Exhibit "O"** with the Board. The Board discussed the interconnection of two pressure planes on Harris Ridge Boulevard, and a possible emergency interconnect with Pflugerville to provide a back-up water supply for Settler's Meadow. The Board directed Mr. Foster to contact the City of Pflugerville and the City of Austin to see if an interconnect was politically feasible before proceeding with any engineering work on the proposed interconnect project. The Board then discussed the possible installation of several pressure-reducing valves on the Harris Ridge Extension to prevent the cross-connection of the two pressure planes. The Board also discussed the use of the water master plan as not only a capital improvement planning vehicle, but also a master plan for future development,

and agreed that some improvements would need to be addressed before the future construction of John Henry Faulk Boulevard. The Board directed that the Infrastructure Subcommittee meet and evaluate the master plan and come back to the Board with a recommendation for its implementation.

Director Campbell then stated that the Board would discuss the MeadowPointe fence project. Mr. Foster stated that his firm had filed an application for a permit for the project. He added that he hoped to bring a contract to the next Board meeting and have the project under construction in October. Mr. Foster reported that his firm was working with Mr. Anderson to evaluate options for the East lift station. Mr. Anderson confirmed that problems had been experienced with the pumps clogging up and having to be manually cleared. Mr. Foster recommended that the Board authorize proceeding with an upgrade and presented the engineering services proposal attached as **Exhibit "P"**. He stated that the total project would cost about \$225,000, and that Kimley-Horn's services would be approximately \$36,000. Director Campbell stated that he felt the District needed to proceed, as this was putting a lot of strain on the facilities, but added that the Infrastructure Subcommittee had been unable to review the proposal prior to meeting. He suggested that the Subcommittee be authorized to make determination on how to proceed. After discussion, Director Richter moved that the Board authorize the Infrastructure Subcommittee to make determination on how best to address the problems at the East lift station and to approve the proposal with Kimley-Horn and Associates for the related services and also grant the Subcommittee the authority to proceed with advertising for bids. Upon second by Director Gray, the motion was unanimously adopted.

There being no park development report, Director Campbell stated that the Board would discuss District signage. Director Campbell advised the Board that, as discussed at the last Board meeting, he had signed the proposals for retrofit of the entry signs and the order of the dog park and park signs. Director Richter requested that the Signage Subcommittee next work on mile markers for the park trails and the Board agreed.

Director Campbell then recognized Mr. Douthitt for purposes of receiving the bookkeeper's report. Mr. Douthitt presented the updated cash activity report attached as **Exhibit "H"** and reviewed it with the Board. He recommended approval of the transfers set forth on page one of his report. He reviewed the payments being presented for approval, and noted that the per diem to Director Martinez would be voided due to his absence from the meeting. Director Richter requested that Mr. Douthitt pull the payment to TBG Partners pending her review and approval of the related invoice. She requested that Ms. Littlefield pull the contract for the well project and check the cost against the scope of work. Upon motion by Director Gray and second by Richter, the Board voted unanimously to approve the payments as presented, except those already approved to the Sheriff's Department, the per diem to Director Martinez and the payment to TBG Partners. Mr. Douthitt stated that he was still working on the service charge related to the Canadian check, and added that, if he could not resolve it, he would deduct from the related deposit.

Director Campbell then recognized Mr. Anderson for purposes of receiving a report from the District's general manager. Mr. Anderson reviewed his report, a copy of

which is attached as **Exhibit “Q”**. Mr. Anderson stated that he had one write-off to present, attached as **Exhibit “R”**, due to a deferred payment arrangement that was not honored. He stated that he was no longer approving payment arrangements. Mr. Anderson reported that more customers were under a lot of financial stress, and so he was receiving more abusive phone calls. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the write-off. Mr. Anderson then reported that AVR billing system had still not been implemented and that he had no projected start-up date.

Director Campbell then recognized Ms. Littlefield for purposes of receiving the attorney’s report. Ms. Littlefield reported on her directives, noting that they had been completed as indicated in the packet report. She advised the Board that, after a number of complaints had been filed with the Comptroller of the Currency, Wells Fargo had agreed to refund the termination fees it had imposed. Mr. Douthitt confirmed receipt of the refunds. Ms. Littlefield reported that, due to changes in the State’s election laws, it was possible that it would be advisable, from a cost standpoint, to change the District’s election date to November 2012 or even to May 2013. She stated that she would provide a more detailed report once the Secretary of State’s draft rules implementing the changes were finalized.

Ms. Littlefield then reported that, under the terms of Senate Bill 18, passed during the most recent legislative session, governmental entities which held eminent domain powers were required to give notice to the State Comptroller if they wished to retain the powers. She recommended that the Board authorize sending this notice. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to authorize the District’s attorney to send the necessary notice.

Director Campbell thanked the residents present at the meeting for attending, noting that he appreciated their input and participation.

There being no further business to come before the Board, the meeting was adjourned at 8:35 p.m.

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

(SEAL)

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Alex Martinez, Secretary  
Board of Directors