

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

August 23, 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 August 23, 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 Directors were present, constituting a quorum:

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

Director Robin 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.; Justin Taack of Public Finance Group, LLC; Lee Hill, a resident of the District; and Sue Brooks Littlefield of Armbrust & Brown, PLLC ("A&B").

Director Richter called the meeting to order at 5:46 p.m. and stated that the Board would first receive resident communications and Board member announcements. She recognized Mr. Hill, who reminded the Board about his prior statements regarding the need to encourage home ownership and make the neighborhood look more attractive to purchasers. He also reported that the large District park was now green on Google maps. The Board thanked him for his efforts to have this change made. Mr. Hill also stated that he would have comments for the Board after its discussion on taxes. Director Richter announced that Director Campbell's mother had passed away earlier in the day and so he had been unable to attend the Board meeting.

Director Richter stated that the Board would next discuss the District's 2016-2017 budget and 2016 tax rate. Mr. Taack reviewed the District's certified appraised value, attached as **Exhibit "B"**. He then presented the tax rate analysis attached as **Exhibit "C"** and recommended a \$0.3346 debt service tax rate and \$0.3729 operations and maintenance tax rate, for a total tax rate of \$0.7075, which he pointed out was a decrease of over \$.01 from the prior year. Mr. Taack then noted that the Board had inquired how a homestead exemption would play into the tax rate and explained that an exemption of between \$5,000 and \$15,000 would result in a savings to the average homeowner varying from \$28 to \$82 per year, but added that any exemption would also

result in an increase in the debt service tax rate. He stated that, for this exercise, he had held the operations and maintenance tax constant, but pointed out that, in actuality, that rate would also have to increase to generate the same operating tax revenues. Mr. Taack then reviewed the basis for the debt service tax rate and explained that the recommended rate would support the 25% debt service fund balance which was a Texas Commission on Environmental Quality ("TCEQ") requirement and also a market requirement. Mr. Taack then reviewed the more detailed homestead exemption analysis included in his tax rate analysis, noting that there were currently 1,012 homes with a homestead exemption within the District. He reminded the Board that the tax process was a two-step process and that this meeting would allow the Board to review its financial information and set a proposed tax rate and that the public hearing on the tax rate would be held at the next Board meeting. He recommended that the District adopt a proposed overall tax rate of \$0.7075. Mr. Douthitt then reviewed the draft budget with the Board and explained that the Budget/Finance/Investments Subcommittee had met to review the proposed budget in detail. Mr. Douthitt stated that the budget assumed higher wholesale rates until such time as the District's rate challenge against the City of Austin was finally resolved. He stated that the expenses for various administrative functions were based on input from the Board's various subcommittees. He noted that Mr. Foster's fees would need to be increased, and that he had increased the projected expense relating to the proposed fence project. Mr. Douthitt stated that the proposed budget was a deficit funding budget if the reserve for the City of Austin rate case was taken into consideration. Mr. Hill thanked Mr. Taack for the information and stated that it appeared that granting a \$5,000 homestead exemption would only cost the District about \$56,000 in revenue and he felt the Board should carefully consider implementing this exemption in order to improve the attractiveness of the District to owner-occupants. Director Amaro inquired if the proposed tax rate was sufficient to take into consideration a homestead exemption. Mr. Taack stated that any rate higher than his recommended rate would implicate the rollback rate. Mr. Hill stated that he felt that, with the increased values, a homestead exemption should be considered. Mr. Douthitt explained that the Board was being requested to establish a proposed tax rate of \$0.7075 per \$100 assessed valuation, as recommended by Mr. Taack. Director Amaro proposed that the Board publish a rate that would allow a reasonable dialog about a homestead exemption. Mr. Hill stated that he proposed that the Board adopt a \$5,000 homestead exemption to ease into this process and look at increasing the amount in the future, once the District had the structure in place. After further discussion, upon motion by Director Amaro and second by Director Haught, the Board voted to adopt a proposed tax rate of \$0.7122 per \$100 assessed valuation, to schedule a public hearing on the tax rate for September 27, 2016 at 5:45 p.m., and to authorize Ms. Littlefield to publish notice of the public hearing, with Directors Richter, Amaro, Haught and Capers present and voting "aye" and Director Campbell absent and not voting.

Director Richter stated that the Board would next receive a report from the District's financial advisor. Mr. Taack stated that the proposed refunding was scheduled for Council action on October 27th and agreed to monitor the savings and provide the Board with an update.

Director Richter then stated that the Board would consider approving the minutes of the July 26, 2016 Board meeting. Upon motion by Director Capers and second by Director Amaro, the Board voted unanimously to approve the minutes.

Director Richter stated that the Board would next receive the security report and recognized Deputy Gonzalez. Deputy Gonzalez stated that the July reportable crimes included an auto theft where the vehicle was taken by a friend of the owner's son, a burglary of an unlocked vehicle, an attempted burglary of a vehicle where the owner was in the vehicle at the time, and some criminal mischief, but no residential burglaries. The Board members stated that they were very pleased at the reduction in criminal activity. Director Amaro stated that this spoke highly of the plan that was in place. Deputy Gonzalez explained that eight people who apparently had been working together had been arrested and it appeared that the crime rate had dropped dramatically after that arrest. Deputy Gonzalez stated that residents locking their fence gates had also made a tremendous difference.

Ms. Oliver reported that the District had received \$800 in contributions towards door prizes for the National Night Out event and reminded the Board that the event was scheduled for September 17, 2016 from 11:00 a.m. to 3:00 p.m.

Director Richter then stated that the Board would consider landscape maintenance matters and recognized Mr. Fadal, who presented his report, attached as **Exhibit "D"**. He discussed the plant of the month, Mealy Blue Sage. He stated that this plant did better in the same kind of weather people liked, and usually grew at the edges of native grasses in the Spring and Fall. He stated that the rains had caused his crews to be a little bit behind. Director Haught inquired about the effectiveness of rainfall monitors and Mr. Fadal explained that sometimes the irrigation system ran because the rain clicks were not triggered unless more than ¼ inch of rain was received, but noted that they also frequently failed and so he encourage the Board members to call him if they noticed the irrigation system running when it shouldn't be.

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 "E"**, and advised the Board that she felt it would be likely that a Solid Waste Subcommittee meeting would be needed due to some missed trash pick-ups and monitoring problems. She stated that a driver had quit and Mr. Bryant had called her to find out if all of the pick-ups were made, noting that she was not staffed to do this type of monitoring for Texas Disposal Systems ("TDS"). She also stated that one house chronically had an extra container out and, when she had asked if the resident was paying for the extra container, Mr. Bryant had responded that the District was paying for it. Ms. Oliver pointed out that this was not consistent with the contract, and added that Mr. Bryant had not gotten back with her on the charging of extra fees. Director Haught stated that she believed Mr. Bryant was expected to attend the next meeting.

Ms. Oliver then stated that she had asked for an agenda item on maintenance crew staffing and explained that, when an employee was on leave or there was an unanticipated absence, there were times when only one employee was left in the field

and she felt this was not a safe situation. She added that one fairly long-term employee had quit on Monday, leaving the District short-staffed. Director Haught asked how long the District had had three full-time maintenance positions and Ms. Oliver responded that it had since the beginning. Ms. Oliver noted that the District's property had increased, and the number of houses had also dramatically increased for covenant enforcement. Director Amaro agreed that insufficient staffing was a safety issue. Director Capers inquired if Ms. Oliver felt four full-time employees would be appropriate and Ms. Oliver responded that she believed it would. Director Richter asked if this cost had been included in the budget and Mr. Douthitt confirmed that it had been, at Director Campbell's request. Upon motion by Director Capers and second by Director Haught, the Board voted unanimously to authorize Ms. Oliver to hire an additional full-time maintenance employee.

Director Richter stated that the Board would next receive a report from the Median and Right-of-Way Maintenance Subcommittee. Mr. Foster stated there had been good progress and that he would bring a report to next Board meeting.

Director Richter then stated that the Board would discuss Parks Subcommittee items. Mr. Foster recommended postponing consideration of the limestone quarry block vehicular barrier project and the Merseyside greenbelt maintenance procedures until the next Board meeting and the Board agreed.

Director Richter stated that the Board would next receive the engineer's report. Mr. Foster reviewed his report, attached as **Exhibit "F"**, and added that his directives were included. He reminded the Board that the District had granted the Village@Northtown an easement for the construction of a wastewater line, which provided that the Village@Northtown would be required to replace all of the trees that were removed as a result of its construction. He explained that Mr. Lind had now agreed to make a cash payment in lieu of the tree replacement. After discussion, upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the Modification of Declaration of Wastewater Easement attached as **Exhibit "G"**.

Mr. Foster then advised the Board that the Infrastructure Subcommittee had received samples of various types of iron fencing, and called the Board's attention to the samples—one with "puppy panels" at the bottom that was proposed to replace the chain link fence around the dog parks; one with two horizontal rails at the top that would make it more difficult to climb, one called "the Defender" that was recommended for areas around the ponds, and one fencecrete sample that was proposed to replace the fence around the lift station. Mr. Foster recommended constructing a concrete footer for the iron fencing to keep the fence from being damaged by the landscape maintenance crews' equipment. He also suggested ordering extra panels to have in stock in case replacement was needed. Director Haught thanked the subcommittee for bringing samples which, she noted, made it much easier to visualize. The Board discussed the powder coating and the warranty for the iron fencing. Mr. Foster stated that the supplier recommended using Krylon black paint for touch-ups. He then called the Board's attention to the updated project budget, attached as **Exhibit "H"**, noting that this included the increased gauge and height of the fence around the ponds. Mr.

Hill stated that his wife would object to this fence being installed across the street from his house, noting that it was very tall and obtrusive. He stated that there were ponds that were differently situated, but that he didn't feel this fencing was appropriate across from residences and that he preferred the status quo for the fence across from his house. Mr. Hill also stated that there had been no dialog with the neighbors about this and he felt it was important to have a discussion with the residents who would be affected before moving forward. Director Richter thanked Mr. Hill for his input. Director Haught stated that she understood there were some durability concerns relating to the existing fence. Mr. Foster concurred, noting that the ponds were not scenic areas and the intent was to provide a more durable fence. He added that he assumed that, ultimately, the homeowners whose property backed up to the ponds would remove their fences so there wasn't a double fence in these areas. Mr. Hill stated that he opposed the "Defender" fence being replaced installed around the pond across from his house and definitely wanted an opportunity for input. Mr. Foster stated that there were only four ponds that required fencing of this nature and that most of the proposed fencing was for the lift station and entryway areas that had been previously discussed.

Mr. Foster then presented the Additional Services Addendum No. 1 for the 50-acre Park Pedestrian Bridge Study attached as **Exhibit "I"**, noting that this was for modification of the permit and preparation of the bid documents, and requested approval. After discussion, upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the Addendum.

Mr. Foster then updated the Board on the discussion that had occurred with Dessau Fountains in connection with its request for additional capacity. Ms. Littlefield stated that the owner had paid all past-due amounts to the District but it had been determined that no additional capacity was available.

Director Richter then recognized Mr. Douthitt, who presented the updated cash activity report attached as **Exhibit "J"**. He recommended approval of a transfer from the District's JP Morgan operating account to the JP Morgan manager's account in the amount of \$16,800, a transfer from the District's Logic operating account to the JP Morgan operating account in the amount of \$150,000, and a transfer from the District's lockbox account to the general operating account in the amount of \$85,000. Mr. Douthitt then reviewed the Director and vendor payments and stated that he had spoken briefly with Jay Joyce about the credit that the District was taking against the bills issued by the City; he stated that an inflow and infiltration factor had been added and appeared to be an arbitrary adjustment. Mr. Douthitt stated that the District might need to pay these charges under protest, since the latest Public Utility Commission rulings were not totally in the District's favor. He then reviewed the payments that had been made out of the bookkeeper's account during the prior month. Director Richter inquired about the AT&T bill in the amount of \$600. Mr. Douthitt stated that this included charges for phone lines for the auto dialers. Mr. Anderson stated that the District could go to cell phone auto dialers which would be less expensive. Mr. Douthitt agreed to verify what the AT&T charges were for and Mr. Anderson agreed to bring alternative pricing for the cell phone auto dialers to the next Board meeting. After discussion, upon motion by Director Amaro and second by Director Haught, the Board

voted unanimously to approve the payment of the bills and invoices and the transfers 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 "K"**. 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 July. He reported that the District had received satisfactory lab results for its water samples, and had experienced a water loss of 9.16% during the prior reporting period. Mr. Anderson then called the Board's attention to the write-offs set forth on **Exhibit "L"**, and recommended approval. After discussion, upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approve the recommended write-offs. Mr. Anderson then reported that his crews had refurbished the lift station and modified the system to measure the chemicals, but the system did not work well for Ferrous Sulfate, even though the manufacturer had said that it would. Mr. Anderson suggested installing a transducer, which was an electronic measurement system that would cost approximately \$5,000, including the electrical work. Director Amaro stated that the Infrastructure Subcommittee recommended this and moved to authorize Mr. Anderson to proceed as recommended, at a cost not to exceed \$5,000. Upon second by Director Haught, the motion was unanimously adopted.

Mr. Anderson then reported that Ms. Oliver had advised him of a complaint about a black spot in the creek behind Merseyside that had included a fish kill. He stated that this was where the interceptor ran into the low flow lift station, but that he had run a camera through the line and no problems were observed. Ms. Oliver stated that she had ordered a security camera in order to attempt to document the cause, as she felt it was possible that someone was dumping used motor oil in the creek.

There being no developers' and landowners' representatives present and 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 7:21 p.m.

(SEAL)

Kathy Haught, Secretary
Board of Directors

Date: September 27, 2016