

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

August 26, 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 August 26, 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 were present, constituting a quorum:

Robin Campbell	-	President
Brenda Richter	-	Vice President
Kathy Haught	-	Assistant Secretary
Felix Amaro, Jr.	-	Assistant Secretary

Director Alex Martinez was absent. Also present at the meeting were Mona Oliver, the District's on-site manager and covenant administrator; Robert Anderson and Brian Paul of Crossroads Utility Services, LLC ("Crossroads"); Allen Douthitt of Bott & Douthitt, PLLC; Deputy Keith Kinnard of the Travis County Sheriff's Department; Cheryl Allen of Public Finance Group, LLC; Richard Fadal of TexaScapes, Inc.; Scott Foster of 360 Professional Services, Inc.; Ray Bryant and Rick Fraumann of Texas Disposal Systems, Inc.; Lee Hill, Allen Rivaldo and Chris Capers, residents of the District; Jim Nias representing the Village@Northtown, Ltd.; 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. There being none, Director Campbell stated that the Board would discuss the District's 2014-2015 budget and 2014 tax rate. He recognized Ms. Allen, who called the Board's attention to the District's 2014 assessed valuation, attached as **Exhibit "B"**. She reminded the Board that the tax process was a two-step process and stated that this meeting would allow the Board to review its financial information and set a proposed tax rate and the public hearing would be held at the next meeting. She noted that the District's assessed value reflected an increase in the average taxable value of a residence homestead and that there was also about \$12 Million in new improvements in the District. Ms. Allen pointed out that the District had had a tax rate of \$0.75 per \$100 for a number of years, but reminded the Board that, to the extent the District's operations and maintenance rate increased by more than 8%, there was an opportunity for the residents to roll the rate back. She stated that she had projected a decrease in the operations and maintenance tax rate. Ms. Allen reviewed the method of calculation of the proposed debt service tax rate, noting that the debt service fund balance should not drop below 25% of the next year's required debt service requirements. Mr. Douthitt then presented the updated draft budget and comparison between the proposed budget and the budget

for the current year attached as **Exhibit “C”** and the budget information from the Park Subcommittee attached as **Exhibit “D”** and reviewed the information with the Board. He stated that he had projected flat service revenues, but incorporated the City’s projected wholesale rate increase. He stated that he had not projected an increase in the District’s retail rates. He noted that Ms. Allen had projected a debt service rate of \$0.4343, and that he had budgeted the same number of taps as in the current year. Mr. Douthitt stated that it would be necessary to address capital improvements funding, including funding of the remainder of the force main project. Director Richter asked if this had been addressed in the draft budget. Mr. Douthitt stated that he had anticipated that this would come out of surplus revenues. Director Richter asked if the District would have funds available if there was another large force main break. Mr. Douthitt stated that the District had a fund balance sufficient to cover a catastrophic event of this nature. He reminded the Board that this budget was just for review and the Finance Subcommittee would fine tune it before the next Board meeting. Mr. Douthitt then reviewed the park budget items with the Board and Director Richter reminded the Board that this information was assembled with all of the District’s consultants’ input, and added that the wells had a huge impact and so a line item had been included to address this. She stated that the cost of this work was a relative unknown and that one well had not had any work done to it at all. Director Richter stated that she expected that the ATV would need to be replaced or that possibly more than one would be required. Mr. Douthitt stated that trail maintenance had been split out as an overlay was anticipated. Director Richter stated that it was intended that the District budget funds to overlay a portion of the trail on an annual basis, and that it was planned to include this in the budget to allow accrual of the funds needed for the project. Director Campbell asked if the projected water tap fees were realistic, since the Lakes was likely built-out. Mr. Foster stated that he did not expect any apartment complexes to come on line during the 2014-2015 budget year. Mr. Douthitt recommended that the Board establish a proposed tax rate of \$0.736 per \$100 assessed valuation and then reviewed the proposed notice of the public hearing on the tax rate with the Board. He pointed out that the average home value in the District had increased and so, even with the same tax rate, there would be a slight increase in taxes on the average home. Upon motion by Director Haught and second by Director Richter, the Board voted to adopt a proposed tax rate of \$0.736 per \$100 assessed valuation. Upon motion by Richter and second by Director Amaro, the Board voted unanimously to schedule a public hearing on the tax rate for September 23, 2014 at 5:45 p.m., and to authorize Ms. Littlefield to publish notice of the public hearing, with Directors Campbell, Richter, Amaro and Haught present and voting “aye” and Director Martinez absent and not voting.

Ms. Allen then reviewed the refunding analysis attached as **Exhibit “E”** and explained that the District had realized \$155,000 in savings as a result of the bond refunding that had closed earlier in the day. Director Campbell thanked Ms. Allen for bringing this opportunity to the Board. Director Amaro then asked Ms. Allen if this refunding would be covered by the SEC initiative that had been discussed at the prior Board meeting. Ms. Allen stated that it would be and reminded the Board that there was a five-year look-back. Directors Amaro and Campbell confirmed that the Finance Subcommittee had authorized McCall, Parkhurst & Horton, L.L.P. to prepare an analysis of the District’s compliance with its continuing disclosure obligations. Ms. Allen stated that, while she believed her firm had made all necessary continuing disclosures, an investigation would cost more money than having this review. She noted

that the SEC was funded through fines and penalties. Ms. Allen stated that she was working with McCall, Parkhurst & Horton, L.L.P. to provide the information necessary to complete the review.

Director Campbell stated that the Board would next consider approving the minutes of the July 22, 2014 Board meeting. Upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the minutes.

Director Campbell stated that the Board would next discuss recycling and solid waste services. Ms. Oliver called the Board's attention to the sample attachments for the recycling carts that had been provided by Texas Disposal Systems, Inc. ("TDS") and explained that this included a refrigerator magnet as the Board had requested. She stated that she would have the Spanish translation reviewed for accuracy. Director Haught stated that she had been out of pocket and just received the packet, but was generally pleased with the quality of the paper. Ms. Oliver stated that there had been some question about all of the colors on the calendar, noting that she felt it would be better just to highlight the recycling pick up date rather than having so much color on the calendar. Mr. Bryant stated that this indicated the routing and that TDS would notify all of the residents of their collection day. Director Haught stated that she would want to be sure that all neighborhoods were picked up on the same date. Ms. Oliver asked if there would be a map that could be posted on the website. Mr. Hill asked if all residents would receive recycling carts on the same date. Mr. Bryant stated that TDS' intent was to deliver the carts the week of September 22nd. Mr. Bryant stated that they would pick up the existing recycling containers if the residents left them out. Director Haught stated that it was important not to split the subdivisions and asked that Mr. Bryant provide a routing map as soon as possible. Mr. Bryant then introduced Rick Fraumann, TDS' director of sales, and explained that he had gotten involved when negotiations did not go as smoothly as possible. Mr. Fraumann stated that he agreed that it made sense to do entire neighborhoods on the same date. He also stated that it was more efficient for his company to pick up half of the District every other week. Director Haught stated that this was not a complicated concept, but was just newly raised. Mr. Hill stated that this was consistent with how the City of Austin's resource recovery department managed its system. Director Richter then moved that the Board approve and authorize execution of the new contract with TDS upon Subcommittee's confirming its satisfaction with the contract. Upon second by Director Amaro, the motion was unanimously adopted. A copy of the Recycling and Solid Waste Disposal Services Agreement with TDS as finally approved and executed is attached as **Exhibit "F"**.

Director Campbell then stated that the Board would receive the District's security report and recognized Deputy Kinnard. Deputy Kinnard stated that he had designated Deputy Flanagan to be the District's red-tag specialist and that he had not only red-tagged vehicles and followed up, but also gotten with the patrol supervisors and impounded a number of vehicles. He then advised the Board that Deputy Flanagan was now being transferred to vice, but that he had engaged two new deputies to work within the District. Deputy Kinnard stated that burglaries of vehicles and residences were down and added that he was still having reporting issues and was having to assemble the reports manually. Deputy Kinnard stated that community oriented policing services (COPS), who were volunteers, had chosen to drive the neighborhood the last month. Deputy Kinnard reported that Wildflower had also hired its own private security patrol

service. After discussion, Director Richter moved approval of the payments to the Sheriff's Deputies as shown on the bookkeeping report attached as **Exhibit "G"**. Upon second by Director Amaro, the motion was unanimously adopted.

Director Campbell then recognized Mr. Fadal for purposes of receiving the landscape maintenance report. Mr. Fadal presented the plant of the month, Agave Sisalana, which he explained was a fiber-type of Agave. Mr. Fadal then presented the landscape maintenance report attached as **Exhibit "H"** and stated that his crews were about to start the Fall mulching and would do a major cut-back of the grow zones in September. He called the Board's attention to the proposal for an irrigation repair attached as **Exhibit "I"**, noting that the cost exceeded the amount the Parks Subcommittee was authorized to approve without Board approval. Director Richter asked if this was in the dog park area and Mr. Fadal confirmed that it was. Director Richter noted that the dog park included landscaped berms and trees, the estimate was a "not to exceed" amount and the Park Subcommittee recommended approval. Director Richter then moved approval of the proposal. Upon second by Director Haught, the motion was unanimously adopted. Mr. Fadal then brought the Board's attention to the ramp that a nutria had dug a tunnel under and reviewed the status of the repair. Director Amaro stated that, while this repair would address the immediate concern, he wondered if the nutria needed to be removed due to its creation of an on-going maintenance issue. The Board agreed that the Subcommittee should investigate removal options. Mr. Foster asked if this would complete the pond maintenance work assigned to TexaScapes and Mr. Fadal confirmed that it would except for one small area of repair of a dike.

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 "J"**. She stated that the covenant violations were also in the packet and that she was still working with the resident who had attended the prior Board meeting about a landscape plan to screen her front yard fence. Ms. Oliver stated that the Parks Subcommittee had authorized an emergency removal of a bee hive from a District stone wall behind a resident's home. She stated that the resident had been stung about a dozen times and that they were regular bees, but had a 150-pound honeycomb. She stated that the District's maintenance crews had also repaired the masonry on the wall to reduce the likelihood of this happening again.

Director Campbell then recognized Mr. Foster for purposes of receiving the engineer's report. Mr. Foster stated that there had been a lot of activity since he had completed the report in the packet. He stated that construction on the Oaks at Techridge, Phase II was complete and that Phase III of the project was scheduled to begin late 2014 and be completed in late 2015. He stated that he understood Mr. Nias would address the Village@Northtown pond issue later in the meeting. Mr. Foster stated that he had inspected the work completed to date relating to the MS4 permit and that additional ancillary pond work had been noted and included as proposed budget items. Mr. Foster stated that the force main project had been completed and had "gone live" the prior Thursday and that he was pleased to have it operational with no issues. He stated that he hoped to present this project for acceptance at the next Board meeting. Director Richter stated that the District was very fortunate to have Mr. Foster as the District's engineer, noting that he had been on site during the entire time of the connection. Mr. Foster commended the contractor and Crossroads for their excellent

work. Mr. Foster stated that there had been a small spill at the time of connection, but it had all been contained in the excavation and had been reported to the Texas Commission on Environmental Quality (“TCEQ”). He then presented Pay Estimate No. 2 and Change Order No. 1 for the force main project attached as **Exhibits “K” and “L”** and recommended approval. Director Richter moved approval of the Pay Estimate and Change Order. Upon second by Director Haught, the motion was unanimously adopted. Mr. Foster then stated that construction on the trail restoration project was substantially complete and that he had received the Texas Department of Licensing and Regulation report and clearance. He stated that the contractor was finalizing the punch list items, including revegetation. Mr. Foster then presented Pay Estimate No. 4, attached as **Exhibit “M”**, and recommended approval of the Pay Estimate and acceptance of this project subject to the contractor’s completing the punch list items. After discussion, upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to do so.

Director Campbell then recognized Mr. Douthitt, who presented the updated bookkeeping report attached as **Exhibit “G”**. Mr. Douthitt reviewed the funds transfers he was recommending for approval as summarized on page one of his report. He reviewed the bills and invoices being presented for approval, noting that the per diem to Director Martinez would need to be voided due to his absence. Mr. Douthitt called the Board’s attention to the deposit refund to Village@Northtown that had been made at the request of Clifton Lind. He also reviewed the payments that had been made out of the manager’s account since the last meeting, noting that these were largely utility payments and customer deposit refunds for the past month, and the payment to the Attorney General for the refunding bond review. Mr. Douthitt then requested approval of a revised payment amount for one of the District’s bonds issues, noting that the amount had decreased, which he believed was related to the refunding. Upon motion by Director Amaro and second by Director Richter, the Board voted unanimously to approve the payment of the bills and invoice and transfers, as recommended, with the exception of the payment to the Sheriff’s Deputies that had previously been approved.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager’s report. Mr. Anderson presented his report, attached as **Exhibit “N”**, and reviewed it with the Board. He introduced Mr. Paul to the Board, and stated that he was the supervisor for Crossroads’ northern projects. He noted that the District currently had 2,944 occupied single-family connections and total of 3,010 accounts. He stated that the District had reported a 3.77% water loss for the prior reporting period. Mr. Anderson stated that all water test results were satisfactory. The Board then discussed the population estimates for the apartments and Mr. Anderson stated that Crossroads was working on this calculation based on TCEQ rules. Director Amaro noted that the first phase was largely single bedroom units and that the subsequent phases were all very different. Mr. Anderson then stated that he had no 90-day delinquent accounts to report. Mr. Anderson then requested approval of the write-offs set forth on the list attached as **Exhibit “O”**. Upon motion by Director Amaro and second by Director Richter, the Board voted unanimously to approve the write-offs.

Director Campbell stated that the Board would next discuss the City of Austin wholesale water and wastewater rates and joint rate challenges. Director Campbell stated that the public relations firm continued to try to keep the issue in front of the

community. Director Richter stated that some of the participating districts were going to meet with their legislative representatives.

Director Campbell then stated that the Board would discuss the renewal of the District's website hosting and domain registration. Director Campbell stated that he had received a notice that the renewal was due, but, after looking at it, it was a registration renewal that had already been approved and paid for. He stated that no action was necessary.

Director Campbell stated that the Board would next receive a report from developers' and landowners' representatives. He recognized Mr. Nias, who stated that he was present because his client was trying to get some plats approved that had already been approved by the City and the County, noting that a few details remained, including a number of utility easements and lien releases that needed to be delivered for parkland that would be conveyed to the District. Mr. Nias requested that the Board consider delegating approval authority. He stated that there was a purchaser that was prepared to close, but the plat needed to be recorded. He stated that the utility easements needed to go before the parkland-related items. Director Campbell stated that, with the Board's authority, a subcommittee could be set up to work with the District's consultants to take action on this prior to the next Board meeting. The Board agreed that the designated subcommittee would be Directors Amaro and Campbell. Director Haught moved that the Infrastructure Subcommittee be authorize to approve and execute the easements as long as they were acceptable to the District's engineer and attorney. Upon second by Director Haught, the motion was unanimously adopted.

Director Campbell then stated that the Board would consider the election-related item on the Board's supplemental meeting agenda: the Order Declaring Election of Unopposed Candidates and Canceling November 4, 2014 Director Election attached as **Exhibit "P"**. Director Campbell noted that there were three positions and three candidates and so the Board would cancel the election and the District would save the cost of an election. After discussion, upon motion by Director Amaro and second by Director Richter, the Board voted unanimously to approve the item on the supplemental meeting agenda.

There being no further business to come before the Board, upon motion by Director Richter and second by Director Haught, the meeting was adjourned at 7:12 pm.

Date: _____

(SEAL)

Alex Martinez, Secretary
Board of Directors