

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

September 17, 2008

THE STATE OF TEXAS §
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COUNTY OF TRAVIS §

A special meeting of the Board of Directors of Northtown Municipal Utility District was held on September 17, 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, thus constituting a quorum. Also present at the meeting were Cheryl Allen of Southwest Securities; Mike Morin of SWWC Services, Inc. and Sue Brooks Littlefield of Armbrust & Brown, L.L.P.

Director Campbell called the meeting to order at 5:45 p.m., and noted that the purpose of the meeting was to consider taking action regarding the District’s 2008-2009 budget and 2008 tax rate. He reminded the Board that, although it had adopted a proposed tax rate at the prior, regular Board meeting, there had been changes in the financial markets and the general state of the economy, and he felt it prudent to allow the Board an additional opportunity to review the budget in detail, and to confirm that the Board was comfortable with the tax rate which had been proposed, as well as the components of the budget for the upcoming fiscal year. The Board discussed the District’s reserves, and the potential impact of a catastrophic event, such as had occurred recently in coastal area districts with regard to Hurricane Ike. The Board also discussed the potential impact of foreclosures on the District’s tax base. Ms. Allen explained that approximately \$3 million in assessed valuation for the apartment complex which was being constructed was not yet included in District’s tax base. She stated that the average home value was \$135,000, but that she was using \$110,000 in making her projections, and so had taken into account the potential devaluation of existing residences for tax purposes. She stated that, while foreclosures could have some impact, she did not anticipate that the foreclosures which the District was experiencing would significantly affect the District’s overall tax base. Director Campbell pointed out that, even though the budget was shown as a deficit budget, \$1 million was being transferred from the District’s general fund to its park fund. He noted that, based upon input from the Park Subcommittee, it also appeared that this sum would be spent on improvements within the upcoming fiscal year. Director Campbell inquired about the 3% increase in the operations and maintenance tax which was being projected for future years. Ms.

Allen stated that she felt this was historically representative. Ms. Littlefield pointed out that, as the Board expended additional funds on park improvements, the District's maintenance expenses would increase substantially. Director Campbell noted that the District was preparing for the sale of bonds in the Spring and, before the District sold those bonds, he would like to see an additional projection of the financial impacts affecting the market and the District. Ms. Allen stated that she always did that, and reminded the Board that it was only initiating the bond approval process at this time. She stated that, once the approvals were in hand, the Board would evaluate whether the District should move forward with the sale. She assured the Board that her company was taking into account the money which would be needed to operate the District in the future, and noted that the rating agencies wanted to be assured that the District would have sufficient operation and maintenance funds budgeted. She stated that she expected the District to end the 2008 fiscal year with \$6.8 million in its general fund. She also stated that tax lawyers would look more and more at the purpose of this reserve. Mr. Morin stated that he felt the District needed about \$2.5 million to \$3 million in reserves. Ms. Allen stated that the goal was to allocate the District's tax rate between operation and maintenance and debt service, in order to maintain a level to declining overall tax rate. She stated that, if the District needed additional operation and maintenance funds once its park facilities were completed, then the operation and maintenance component of the District's tax rate would need to go up. Director Campbell stated that he was comfortable with the budget, but wanted to be sure that the entire Board was comfortable moving forward on this basis. He pointed out that, in the next fiscal year, the District's debt service tax rate was projected to increase, and the District's operations and maintenance tax rate would go down by approximately 1/3. The Board then discussed the proposed bond sale, and various impacts upon the feasibility of the sale. After further discussion of the District's proposed budget, Director Gray moved that the Board maintain its previously adopted proposed tax rate of \$0.75 per \$100 assessed valuation, and confirm the public hearing which had previously been scheduled for September 23, 2008. Upon second by Director Richter, the motion was unanimously adopted.

There being no further business to come before the Board, the meeting was adjourned at 7:06 p.m.

Date: _____.

(SEAL)

Scott M. Gray, Secretary
Board of Directors