

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

September 24, 2013

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 September 24, 2013, 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
Felix T. Amaro, Jr.	-	Treasurer
Kathy Haught	-	Assistant Secretary

Director Alex Martinez was absent from the meeting. 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*"); Allen Douthitt of Bott & Douthitt, PLLC; Deputy Keith Kinnard and Deputy Larry Flanagan of the Travis County Sheriff's Department; Richard Fadal of TexaScapes, Inc.; Scott Foster of 360 Professional Services, Inc.; Linda Loup of Southwest Securities; Sue Brooks Littlefield of Armbrust & Brown, PLLC; and Alan Rivaldo and Lee Hill, residents of the District.

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. There being none, Director Campbell announced that the Board would next open the public hearing on the District's 2013 tax rate. Director Campbell stated that the Board was working hard to maintain a level to declining tax rate and the proposed rate was \$0.75 per \$100 valuation, which was the same as in the prior year. He explained that, due to the slight increase in the assessed value of the average home in the District, residents might see a small increase in their tax bill. He noted that, after the refundings, the District was able to reduce the debt service tax rate and increase the operations and maintenance tax so there was not so much pressure on the operations budget. Director Richter asked Mr. Douthitt if the budget reflected all of the changes discussed at the prior meeting. Mr. Douthitt responded that it did, as well as some changes suggested by the Budget Subcommittee. Director Campbell then recognized Mr. Hill, who congratulated the Board on maintaining the same tax rate and stated that the Board was doing a great job in taking over management, getting near the end of park establishment, undertaking big projects like force main, and reducing debt and so he

appreciated what the Board was doing. He stated that, while holding the line on taxes was a good thing, he would like the Board to begin to ponder cutting the tax rate slightly, by a quarter of a penny, because, as the District's debt aged, more debt would come on, but the tax base would grow. He acknowledged that the District's assessed values had dropped the prior year, but stated that he would like this to be considered in future years. Director Campbell thanked Mr. Hill for his feedback. Director Campbell noted that the District appeared to be in a position that it could reduce the rate when things were booming, but the Board's goal was to maintain stability as when values had dropped the prior year. Mr. Hill responded that he understood this, which was why he suggested easing into a reduction and not reducing the rate this year. He acknowledged that the District was currently funding out of reserves. Director Campbell acknowledged that the District was running a slight deficit and noted that the Board was cognizant that it was reducing its fund balance. Mr. Hill stated that he understood that the District had been in transition, but, as the District matured, he felt the Board would be better situated to reduce the tax rate. There being no one else present wishing to address the Board on the matter of the District's tax rate, Director Campbell closed the public hearing.

Director Campbell then recognized Mr. Douthitt, who reviewed the proposed 2013-2014 budget with the Board. He called the Board's attention to the alternate scenarios included in the budget, noting that rent and employee benefits had increased slightly. He also pointed out the increase in chemical costs and an adjustment to the equipment line item that had been reallocated. Mr. Douthitt stated that signage costs, newsletters and mail-out expenses had been increased. He also called the Board's attention to the line item for the City of Austin rate case. He explained that Scenario 1 maintained the current retail rates while Scenario 2 contemplated an increase in the retail rates to correspond to the City's wholesale rate increase of 9.9% for water and 2.4% for wastewater. He added that there was about a 10% water loss factor included in the calculation. Mr. Douthitt stated that the retail rate increase would provide break-even revenues for the water and wastewater cost side, but still generate about a \$350,000 deficit, while Scenario 1 would generate about a \$500,000 deficit. Mr. Douthitt pointed out that, if retail rates were increased and the rate challenge was successful, the rates could be dropped back down. Director Amaro noted that the City's rate increases were going to be applied effective October 1. Mr. Hill stated that, since the wholesale rate increase was uncertain, he suggested a 4.5% increase, which was splitting the difference and would allow the rate increase to be stepped up. Director Campbell responded that, philosophically, the Board tried to make providing water and wastewater a "wash". He stated that the more likely scenario was to increase the retail rates and drop them back down if the challenge was successful. Director Amaro stated that he appreciated the alternative scenarios, and the options that had been evaluated by the Budget Subcommittee. He stated that he felt it was better to pass through the reality of the wholesale increase. Director Campbell stated that the options being presented were the least likely and the most reasonable scenarios. After discussion, upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to adopt the Resolution Adopting Budget attached as **Exhibit "B"**, carrying with it the Scenario 2, with the retail rate increase incorporated, as presented.

Director Campbell stated that the Board would next consider the District's 2013 tax rate. Director Amaro moved approval of a tax rate of \$0.75 per \$100 assessed valuation and adoption of the Order Levying Taxes attached as **Exhibit "C"**. Upon second by Director Haught, the Board voted to approve the tax rate and adopt the Order, with Directors Campbell, Richter, Amaro and Haught, present and voting "aye" and Director Martinez absent and not voting.

Director Campbell stated that the Board would next discuss water and wastewater utility rates. After discussion, upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the Amended Order Establishing Service Rates, Charges and Tap Fees and Adopting Rules and Policies with Respect to the District's Water, Wastewater and Drainage System attached as **Exhibit "D"**, incorporating a 9.9% increase in water gallonage rates and a 2.4% increase in wastewater gallonage rates, as recommended by Mr. Douthitt.

Director Campbell then stated that the Board would consider approving the minutes of the August 27, 2013 Board meeting. Upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the minutes.

Director Campbell next recognized Deputy Kinnard for purposes of receiving the District's security report. Deputy Kinnard reported that September had not been a very good month as there had been a rash of burglaries. He stated that the good news was that additional apprehensions had been made, some of which were repeats. Deputy Kinnard then introduced Deputy Flanagan, noting that he was a resident of Brookfield. Deputy Kinnard stated that he hoped that Deputy Flanagan would be appointed to the Brookfield HOA Board. Director Amaro stated that he had worked with Deputy Flanagan on security matters previously and was glad to see him again. Deputy Kinnard stated that the Sheriff's Department had experienced several scheduling difficulties that were reflected on the billings. He reported that he had spoken with Detective Sapp of CID, who wanted to have another roundtable about burglaries in the District because of the dramatic increase. Deputy Kinnard stated that there had been nine in the District and 19 in the mobile home park. He stated that he anticipated that this would result in better coverage. Upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the payments to the Travis County Sheriff's deputies set forth on the check register attached as **Exhibit "E"**.

Director Campbell stated that the Board would next receive the landscape maintenance report and recognized Mr. Fadal. Mr. Fadal presented the plant of the month, a Garden Mum, which he stated was a super cold hardy, perennial Fall bloomer. Mr. Fadal then reviewed his maintenance report, noting that the soccer fields were looking very healthy. He stated that he had completed the stone sign bases and that his crews had completed about 70% of the pond assessment tasks, and that the remaining work was on hold pending sufficient dry periods. Mr. Fadal then reviewed the proposal for overseeding of the soccer fields and irrigated areas, primarily within the 50 acre park, attached as **Exhibit "F"**. He noted that the Board appreciated the look of the green grass, but that it did require extra water to establish. He added that area was watered by the District's irrigation well. Director Richter moved approval of the proposal. Upon second by Director Haught, the motion was adopted, with Director

Campbell abstaining from the discussion and the vote. The Board then discussed the installation of a weather station with a rain gauge.

Director Campbell stated that the Board would next receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver presented the staff maintenance report attached as **Exhibit "G"**. She advised the Board that the District's crews had completed all of the tasks coming out of the engineer's pond inspection and received approval. She presented the proposal for the purchase of a dog leash holder, attached as **Exhibit "H"**. Director Richter stated that she recommended approval of the proposal, as well as the additional proposal for an official sign for the soccer fields while they were closed attached as **Exhibit "I"**. She noted that there was a substantial cost break to get 50 and moved approval of the proposals. Director Amaro seconded the motion. Director Campbell inquired if it would be better to include a reason for closing of the fields on the sign. Director Richter stated that this was a good point, but the reasons for closing the fields differed. Director Richter suggested clarifying the directions to the nearest soccer field and Ms. Oliver agreed to make the clarification. Upon being put to a vote, the motion was unanimously adopted.

Ms. Oliver then advised the Board that the Retirement Plan Subcommittee would be reviewing the documents necessary to implement the 401K plan and the Retirement Plan company's representative was coming to the District office the following day to review the plan with the employees.

Director Campbell then recognized Mr. Foster. Mr. Foster presented his report, attached as **Exhibit "J"**, and advised the Board that, on the Harris Ridge extension, he met with Village @ Northtown's representatives. He stated that the developer was suing the contractor and its bonding company regarding the contractor's failure to complete the detention pond. Mr. Foster stated that his firm was working on completing the updated MS4 permit. Mr. Foster stated that he expected to have plan approval for the force main in hand by the end of the year and begin construction by the end of the first quarter of 2014.

Director Campbell then recognized Mr. Douthitt who presented the check register attached as **Exhibit "E"**. He reviewed the funds transfers he was recommending for approval as summarized on page one of his report. Mr. Douthitt then reviewed the payments that he was recommending for approval and the payments that had been made out of the manager's account since the last meeting. He noted that the per diem to Director Martinez would need to be voided due to his absence from the meeting. He noted that there had been quite a few deposit refunds out of the manager's account. The Board then briefly discussed the refund process. Upon motion by Director Amaro and second by Director Richter, the Board voted unanimously to approve the payment of the bills and invoices and the transfers as presented, with the exception of the payment to the Sheriff's deputies previously approved and the per diem to Director Martinez.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager's report. Mr. Anderson presented his "show and tell" item, which he explained was an impeller. He noted that the damage to the impeller, which had been on the irrigation pump, was quite visible and that it looked like it had been soaked in a

vat of acid after little more than a year. He stated that he and Mr. Foster were trying to find a material to replace the impeller that was not subject to this degradation, noting that the well water was very high in salts. Mr. Foster stated that they were looking for long-term solutions and felt the damage was due to the water composition rather than a defect in the impeller. Mr. Foster stated that the current recommendation was to replace it with a cast iron impeller. Mr. Anderson then reviewed his report, attached as **Exhibit “K”**, noting that the District currently had 2,881 occupied active single-family connections. He stated that the District had experienced a 3.4% water gain in August and that all water samples were acceptable. Mr. Anderson noted that there was one customer who was 90 days delinquent and requested approval of the write-offs attached as **Exhibit “L”**. Upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the write-offs. Mr. Anderson reported that Crossroads had completed the MS4 mail-outs. He reminded the Board of the issue with hydrogen sulfide gasses in the sewer system and stated that he was working with the City of Austin on a weekly basis and that Crossroads was trying a new chemical in Lift Station 1 and would start it soon in Lift Station 2. He stated that Crossroads was monitoring hydrogen sulfide in the manhole and that it was still high, but not as high as before. He stated that the diverter plate had been installed in Lift Station 2. Director Richter commended Crossroads’ crews for the excellent performance of their work, stating that the installation was very well orchestrated. Mr. Foster noted that the diverter pump was reducing the need for maintenance visits to the lift station. Mr. Anderson then reported on the most recent force main break, stating that there had been no spill into the creek or into the storm sewer. He stated that it was a small break and was quickly contained. Mr. Foster noted that the District’s new protocols had been implemented and were effective and also commended the job that Crossroads had done. Mr. Anderson then reminded the Board of the additional work that the Board had authorized for Lift Station 1 and stated that all parts had been received and that the work would be done within the next few weeks. Mr. Anderson then presented the proposals for installing an electrical line from the pavilion to the pump house, which would allow installation of a heater and a light bulb, attached as **Exhibit “M”**. He recommended award of the contract to the low bidder, G Creek. He noted that, since G Creek did the original work at the pavilion, they were very familiar with the area. Director Richter moved approval of the award of the contract to G Creek as recommended. Upon second by Director Amaro, the motion was unanimously adopted.

Director Campbell then stated that the Board would receive the attorney’s report and recognized Ms. Littlefield. Ms. Littlefield stated that a letter had been sent to the residents along Sassafras Trail to notify them of their obligation to maintain the easement area outside the rear of their lots. She added that Ms. Oliver was coordinating with the Brookfield HOA on the matter. She then reviewed the fraud questionnaire received from the District’s auditor, attached as **Exhibit “N”**, with the Board. Ms. Littlefield reminded the Board that this questionnaire was sent to the Board and consultants in connection with the auditor’s due diligence work in order to obtain a level of assurance that the District’ financial statements were free of misstatements resulting from fraud. She reviewed the questions on the questionnaire with the Board and the Board members confirmed that, although they were aware that there were risks of fraud with the District’s records, the same as with the records of any other organization, they were not aware of any fraud, allegations of fraud or suspected fraud. The Board

reviewed some of the steps that the District had taken to ameliorate the risk of fraud, including providing certain checks and balances in the District's depository resolutions and establishing controls through the District's Code of Ethics and investment policies. The Board members confirmed that, to their knowledge, the District was in compliance with applicable rules and laws and that they understood the importance of ethical behavior and following appropriate business practices.

Director Campbell then recognized Director Richter for purposes of receiving a report on the District's park development matters. Director Richter asked that this item be moved under Ms. Oliver's report on future agendas. Director Richter noted that the signs at the dog park were not the District's professional signs, but were laminate and so the Park Subcommittee had approved the purchase of better quality aluminum signs.

Director Campbell then stated that the Board would discuss the City of Austin's wholesale water and wastewater rates and the joint rate challenge. Director Campbell presented the proposal from 3 Point Partners attached as **Exhibit "O"**, noting that the Board was being requested to extend its relationship with the public relations entity that had been working with the coalition for three more months. Director Richter moved approval of the participation. Director Amaro seconded the motion, which was adopted, with Director Haught abstaining from the discussion and the vote.

Director Campbell then reviewed the signage proposal and maps attached as **Exhibit "P"** with the Board. He noted that one map was for the pavilion and was one for the entry to the disc golf course. Director Richter stated that these were very well done, but asked if the mile markers could clearly indicate where they began and include information on how long the whole loop was. Director Campbell stated that there would also be a QR Code on the sign that could be scanned and would allow residents to pull up a map or score card. Mr. Rivaldo noted that the label for MeadowPointe was missing an "e" and located on the trailer park rather than the neighborhood. Director Haught noted that the legend for the Disc Golf map was missing the north arrow. Director Campbell then reviewed the proposal for the signage with the Board. Ms. Oliver noted that the pavilion signage would include a posting box for the Board's meeting agenda. Director Richter moved approval of the proposal with the corrections to the maps noted. Upon second by Director Amaro, the motion was unanimously adopted.

Director Campbell stated that the Board would next convene in executive session as permitted under Section 551.071 of the Texas Government Code in order to receive legal advice regarding the Village @ Northtown. He noted that the time was 7:18 p.m. At 7:28 p.m. the Board reconvened in open session and Director Campbell announced that no action had been taken in executive session.

There being no reports from developers' and landowner's representatives and no further business to come before the Board, the meeting was adjourned at 7:29 p.m.

Date: _____.

(SEAL)

Alex Martinez, Secretary
Board of Directors