

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

September 27, 2011

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 27, 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 Martinez, who arrived later, 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 of Kimley-Horn & Associates, Inc., Marsha Jan of McCall Gibson Swedlund Barfoot, PLLC; Ray Bryant of Texas Disposal Systems; Lee Hill and Alan Rivaldo, residents of the District; and John W. Bartram 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. Mr. Hill reported that he had been working on two transportation matters for over 18 months, including changes to the traffic patterns at the Howard Lane / Interstate 35 intersection and plans for CapMetro to bring a mass transit bus route closer to the District. He indicated the changes at the Howard Lane / IH-35 intersection had already been implemented and had helped eliminate congestion in time for the current school year. He stated that CapMetro was scheduled to vote on the new mass transit issue the following day. He stated that the bus route would most likely involve buses leaving every 30 minutes and was anticipated to go into effect in January 2012. Director Richter thanked Mr. Hill for all of his hard work. Director Campbell asked Mr. Hill to keep him updated on the specifics for the new bus route so that he could post that information on the District's website.

Director Campbell then asked if there were any Board member announcements. Director Richter stated that Director Martinez had advised her that he would be 30 to 45 minutes late.

Director Campbell next announced that the Board would consider the budget and tax items on the agenda and opened the public hearing on the District's 2011 tax rate. He confirmed that it was proposed that the tax rate remain the same as the last several years at \$0.75 per \$100 of assessed valuation, and asked if there were any members of the public who wished to address the Board on the tax rate. Mr. Hill thanked the Board for keeping the tax rate down. There being no further public comment, Director Campbell closed the public hearing and recognized Mr. Douthitt for a review of the District's proposed budget for the 2011-2012 fiscal year. Mr. Douthitt reviewed the draft budget, which he stated was basically the same as that previously reviewed by the Board at its special budget meeting, but included changes to reflect increases in the City of Austin's wholesale water and wastewater rates and an adjustment to reflect a decrease in assessed values based on the Travis Central Appraisal District's most recent certification and a corresponding adjustment to the debt service and operations and maintenance tax rates, which he stated were now \$0.2882 for the operations and maintenance tax rate and \$0.4618 for the debt service tax rate, but still totaled \$0.75. After discussion, upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the Resolution Adopting Budget attached as **Exhibit "B"**, incorporating the budget as presented.

Director Campbell then stated that the Board would consider taking action regarding the District's 2011 tax rate. Ms. Allen noted that, even with the decrease in assessed values, the District would still have a good operations and maintenance fund balance for the next couple of years. She stated that the issuance of the 2011 bonds would be accounted for in the next year's tax rate. After discussion, upon motion by Director Amaro and second by Director Richter, the Board voted to approve the Order Levying Taxes attached as **Exhibit "C"**, with Directors Campbell, Richter, Gray, and Amaro present and voting "yes", and Director Martinez absent and not voting.

Director Campbell then stated that the Board would receive a report from the District's landscape contractor, as Mr. Fadal needed to leave for another commitment. Mr. Fadal thanked the Board for permitting him to report out of turn and explained that the final meeting of Springwoods Municipal Utility District, which was being annexed by the City of Austin, was occurring that evening. He reviewed his report, attached as **Exhibit "D"**, and stated that weather patterns had not yet changed. He reviewed the extra efforts being undertaken to address the drought and stated that his crews were mainly trying to keep existing landscaping alive. He reported that many of the native species were stressed, but that his crews were providing extra watering to mitigate the extremely dry conditions. He optimistically predicted that Lake Travis would rise 25 feet by midnight on Halloween and would be full by the end of February. Director Richter stated that she hoped Mr. Fadal's predictions would bear out, because she had heard recently that, if the region did not get significant rainfall by February, the Lower Colorado River Authority would implement Stage 3 restrictions, which would prohibit outdoor watering. Mr. Fadal then reported that he had worked with the Subcommittee created under the District's drought management plan to process a variance to allow supplemental watering in certain park areas. He stated that he believed these areas would be watered on Tuesdays and Fridays, but would confirm that with Ms. Oliver. He stated that there had been a few operational issues with irrigation controllers, but that a plan for corrective action had been worked out to shut off the water quickly when necessary. Mr. Fadal then concluded by noting that he had temporarily adjusted

scheduled maintenance patterns due to the drought and that his crews were being vigilant about the heightened fire danger. The Board thanked Mr. Fadal for his report, and Director Richter stated that the Board would conduct TexaScapes' consultant review in October. At this time, Director Martinez arrived at the meeting.

Director Campbell then stated that the Board would consider taking action regarding the District's \$4,790,000 Unlimited Tax and Revenue Bonds, Series 2011. Ms. Allen reviewed the Series 2011 Bond Issue Analysis and General Fund Projected Revenues and Expenses attached as **Exhibits "E" and "F"** and reported that the District had obtained an excellent interest rate of 3.39% on the bonds. She noted that, after disbursement, the District would be left with over \$1 million in surplus funds, which would allow the District to proceed with a separate surplus funds application to reimburse the developer for costs related to the Lakes at Northtown Sections 4 and 5. She noted that, at the last minute, the insurance company had downgraded the rating on the 2011 bonds slightly, which would mean that the Official Statement would need to be "stickered" with this revised information because it had already been printed. Ms. Allen confirmed that she had already talked to the purchasers of the bonds regarding the change and added that she did not believe that it would cause any problems. Director Richter asked if the change in the rating was a bad thing, and Ms. Allen replied that it was, but that the change was only slight and that there was only one insurance company providing ratings on bonds these days. She stated that the Official Statement would be provided to the buyers the following day and that the sale of the bonds was still scheduled to close on October 13th. She stated that her office was in the process of preparing the closing memorandum, which she hoped to have finalized by the end of the week.

Ms. Jan then distributed the Report on Applying Agreed-Upon Procedures to Construction, Engineering and Related Costs Reimbursable to NWC Howard & I-35, Ltd., Hanna/Magee, L.P. #1, and KB Home Lone Star Inc. (Developers) from the Proceeds of the Series 2011 Bond Sale dated September 27, 2011, attached as **Exhibit "G"** (the "*Reimbursement Report*"). She explained the procedures used to prepare the Reimbursement Report and reviewed the amounts reimbursable to each developer. Ms. Jan then directed the Board's attention to Schedule D of the Reimbursement Report, which she stated was a comparison of actual costs to the cost summary approved by the Texas Commission on Environmental Quality ("*TCEQ*"), and noted that there would be approximately \$1,058,290 in surplus funds. She concluded by reviewing the cash reconciliation schedule contained in the Reimbursement Report. Ms. Allen stated that her closing memorandum would mirror the Reimbursement Report exactly. Mr. Douthitt stated that he had prepared an instruction letter to the bank in anticipation of the disbursement of funds.

Director Campbell inquired as to the status of the TCEQ's authorization to purchase facilities. Mr. Foster confirmed that the pre-purchase inspection was scheduled for the following day and that he expected to have the final approval letter within two weeks. Ms. Allen stated that closing was scheduled for October 13th and that final TCEQ approval would need to be expedited. Mr. Foster stated that he would do what he could to expedite the process.

Mr. Bartram then reviewed the Conveyance of Existing Facilities and Bills Paid Warranty from each of NWC Howard & I-35, Ltd., Hanna/Magee, L.P. #1, and KB Home Lone Star Inc., attached as attached as **Exhibits “H”, “I” and “J”**, respectively, which he explained would convey the bonded water, wastewater, and drainage facilities to the District. He reported that most of the executed closing documents and related lien releases had been received, but that Ms. Littlefield was in the process of confirming that everything was in order. He recommended that acceptance of the conveyance and closing documents and authorization to disburse the bond funds be conditioned on Ms. Littlefield’s review and confirmation that all closing documents and lien releases had been provided. Ms. Allen and Mr. Douthitt pointed out that, if all of the closing documents and lien releases were not provided by closing, there could be an issue with the paying agent, who typically would not want to hold the funds overnight. Ms. Allen suggested that Board action include authorization of the Bond Subcommittee to work with legal counsel, Mr. Douthitt, and her on a contingency plan to “park” the bond funds in another District account if necessary to avoid any complications with the paying agent. After further discussion, upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the Reimbursement Report; authorize the disbursement of funds in accordance with the Reimbursement Report; to accept the Conveyance of Existing Facilities and Bills Paid Warranty from each developer subject, in each case, to legal counsel’s confirmation that all closing documents and lien releases had been provided; and to authorize the Bond Subcommittee to work with legal counsel, the District’s bookkeeper, and the District’s financial advisor on a contingency plan to “park” the bond funds in a separate District account in the event that all closing documents and lien releases had not been provided by the time of closing.

Director Campbell stated that the Board would next consider approving the consent items on the Board’s meeting agenda: the minutes of the August 23, 2011 Board meeting; the Amended Order Establishing Rates, Charges and Tap Fees and Adopting Rules and Policies with Respect to the District’s Water, Wastewater and Drainage Systems attached as **Exhibit “K”**; and an Amended and Restated Information Form. Mr. Bartram noted that an amendment to the District’s Information Form was not necessary because the tax rate had not changed. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the minutes and the Amended Order Establishing Rates, Charges and Tap Fees and Adopting Rules and Policies with Respect to the District’s Water, Wastewater and Drainage Systems.

Director Campbell then recognized Deputy Kinnard for purposes of receiving a report regarding District security. Deputy Kinnard reported on issues related to kids using an easement in the Brookfield subdivision as a cut-through to get to and from school. He stated that the Brookfield Homeowners’ Association (“HOA”) had fenced off the easement, but that the kids had pulled down the fence. Deputy Kinnard stated that the easement had been re-fenced with stronger material, but the kids were now going over and around the fence, including trespassing through the neighbors’ yards. He stated that he was working with the HOA and the neighbors to install “no trespassing” signs, which would give him additional enforcement authority. He further stated that he was working with one of the residents in the area who had taken numerous photographs of illicit activity at the school and nearby homes. Deputy Kinnard stated that he was hopeful that these photos would allow him to pursue prosecutions for theft and trespass.

He also stated that he would visit the parents of the kids identified as misbehaving in the photos. Deputy Kinnard next reported that the vandalism of the District's sprinkler heads appeared to have stabilized and that he was working to get in touch with a resident who had reportedly witnessed a previous vandalism incident. He concluded by reporting that overall criminal activity appeared to be down. Mr. Hill stated that he had heard a rumor that someone had discovered hand grenades in a storm sewer near the intersection of Wells Branch Parkway and MoPac, and asked whether Deputy Kinnard had any information on the matter. Deputy Kinnard stated that he was not aware of the situation and had no details. 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 "L"**.

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 the DVR for the video security system had been down for one-and-a-half to two weeks. She stated that the problem had been corrected and that she would check the system weekly going forward to ensure that it was operating properly. She added that she would like to purchase a small monitor for use in viewing the security video feed, which she estimated would cost approximately \$90. Ms. Oliver next reported that she had removed the Wildflower sign after prior notice to the resident as previously directed by the Board. She stated that the Parks Subcommittee had authorized the purchase of lights for the ATV to make it street legal. She stated that she had confirmed with Deputy Kinnard that a 6-foot pole with an orange flag would also be required. She reported that automobile insurance had been purchased for the ATV at a cost of \$56 per year. Ms. Oliver then reported that extra bagged concrete mix had been purchased and would be stored at the District's office. She stated that signage regarding the Stage 2 water restrictions had been installed at various locations in the District. Ms. Oliver next reviewed her monthly expense approvals attached as **Exhibit "M"** and her monthly report attached as **Exhibit "N"**. She noted that staff had reviewed TML safety videos and that two security cameras had been installed at the Harris Ridge lift station. Director Gray asked how medical benefits for the employees were going, and Ms. Oliver replied that everything was going smoothly.

Ms. Oliver next addressed restrictive covenant violations and enforcement actions, including violations at 13901 Golden Flax Trail, 924 Melted Candle, 106 Mist Flower Drive, 112 Segovia Way, and 144 Segovia Way. She reported that the violations at these locations remained uncorrected after numerous notices in accordance with the District's covenant enforcement policy. Mr. Bartram reported that District staff had also confirmed that the violation at 13917 Golden Flax, which was previously thought to have been resolved, remained uncorrected. He noted the history of enforcement action with respect to this violation and recommended proceeding with a lawsuit. The Board then discussed the potential cost of pursuing litigation to compel compliance. After discussion, upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to proceed immediately with litigation with respect to the violation at 13917 Golden Flax and to authorize the District's legal counsel to send one final "white envelope" letter to all of the other violations reviewed and to proceed with lawsuits if the violations were not corrected within two weeks of the dates of the letters. Director Campbell asked about the information on Red Cross training in the packet. Ms. Oliver stated that she would like two additional staff members to receive Red Cross

training, which would cost a total of \$160. The Board agreed that this training would be a good idea.

Director Campbell then recognized Mr. Foster for purposes of receiving the engineer's report. Mr. Foster reviewed his report, attached as **Exhibit "O"**. He advised that he had contacted the City of Austin and the City of Pflugerville about an interconnect for the Settler's Meadow subdivision, but that the cities did not want to cooperate and, therefore, the interconnect project would be put on hold indefinitely. He next reported that construction plans for the Lakes at Northtown Section 5 had been approved and that he anticipated construction to begin in 2012. Mr. Foster reported that the Lakes Boulevard multifamily development was under construction. Director Campbell asked if the developer had submitted its plans for review. Mr. Foster stated that he recalled payment of the park plan fees and that he would discuss the issue of plan review with Ms. Littlefield. He next presented Pay Application No. 3 from Central Road and Utility, Ltd. in the amount of \$78,672.60, attached as **Exhibit "P"**, representing work related to the Harris Ridge Boulevard extension project through July 29, 2011. He recommended payment, subject to approval by the District's legal counsel. After discussion, upon motion by Director Gray and second by Director Amaro, the Board voted unanimously to approve the pay application subject to approval by legal counsel. Mr. Foster next reported that construction had begun on the Pflugerville ISD tract and that the school should be open by next school year. He also reported that the park well project was on hold, but that he hoped to move forward sometime in the Spring.

Mr. Foster reported that the pond maintenance work was wrapping up and that the contractor had done a wonderful job. He also extended his compliments to Mr. Fadal and Mr. Anderson for their work on the project and noted that the maintenance was readily apparent. Mr. Foster then presented and recommended approval of the invoice in the amount of \$67,860 from DeNucci Constructors, LLC, attached as **Exhibit "Q"**, noting that it represented completion of 90% of the work. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve payment of the invoice. Mr. Anderson stated that the contractor had applied for three fire hydrant meters, and Mr. Foster confirmed that this was for revegetation purposes and not filling of the pond. Mr. Anderson stated that the contractor might need to apply for a variance under the District's drought contingency plan. After discussion, the Board directed Ms. Oliver to send the variance application form used by the Parks Subcommittee for supplemental irrigation in the District to Messrs. Anderson and Foster for use in connection with a variance application for the pond revegetation.

Mr. Foster next reported on the low flow lift station upgrade and force main project. He stated that the project was ongoing and that the generator had been ordered. He stated that he hoped that the lift station would be on line by Thanksgiving and complete by the end of the year. He reported that he had met with the Infrastructure Subcommittee regarding the water master plan and pressure plane issues, and that the Subcommittee recommended the installation of several pressure-reducing valves at the end of John Henry Faulk Boulevard. He stated that the situation would be reviewed annually in connection with the budget. Director Martinez stated that the water master plan had been a worthy investment. Mr. Foster next reported that Travis County still had not issued a development permit for the MeadowPointe fence

project and that he would bring this matter back to the Board in October. He next addressed the East Lift Station improvements, noting that the operator was moving forward with repair instead of replacement of the existing pumps. Mr. Foster stated that he planned to research the cost and availability of replacement pumps in order to minimize any lag time should the need arise for a new pump in the future. He stated the Subcommittee had authorized the payment of \$8,500 for his firm's work on this project and that the balance would be reserved for future work. Mr. Foster then concluded his report by presenting his firm's proposal, attached as **Exhibit "R"**, for preparation of the fourth year annual report under the District's MS4 permit, which he noted was in the amount of \$4,500. After discussion, upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the proposal.

Director Campbell stated that the Board would next receive the park development report. Director Richter reviewed the Park Subcommittee's monthly expense approvals and proposed to have a "Movies in the Park" event. She stated that Suddenlink had offered to sponsor the event, which would cost about \$1,400, and that Ms. Oliver could investigate options for vendors, such as school band boosters, PTA, and Boy Scouts. After discussion, the Board authorized the Subcommittee to move forward with plans for the event and directed it to keep the Board apprised of the date.

Director Campbell then stated that the Board would discuss District signage. He reported that the signs for the park rules and dog run were complete and suggested that the Park Subcommittee coordinate with Ms. Oliver on installation. He also reported that the entryway signs were in the shop.

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 "S"** and reviewed it with the Board. He recommended approval of the transfers and disbursements. He stated that the prior check to TBG Partners had been voided and would need to be reissued if and when approved. Upon motion by Director Gray and second by Director Amaro, the Board voted unanimously to approve the transfers and the disbursements as presented.

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 "T"**. He reviewed the connection report, confirmed that the bacteriological and chlorine residual tests had been satisfactory, and stated that the water loss was about 9.25% for the month. He next reviewed delinquent accounts and recommended approval of the write-offs attached as **Exhibit "U"**. Upon motion by Director Amaro and second by Director Martinez, the Board voted unanimously to approve the write-offs. Mr. Anderson reported that his crews had recently completed the District's annual fire hydrant, valve, and manhole survey, and stated that, for the most part, everything was in good order, but that a few fire hydrant repairs would be required. He then reported that AVR billing system would be implemented for two smaller districts the next day and that, if all went well, the District and North Austin MUD No. 1 would soon follow.

Director Campbell then recognized Mr. Bartram for purposes of receiving the attorney's report. Mr. Bartram reported on the legal directives, noting that they had

been completed as indicated in the packet report. Mr. Bartram next addressed the invoices from TBG Partners relating to well design. Director Richter moved that the Board appoint Directors Campbell and Martinez to an ad hoc subcommittee authorized to work with Ms. Littlefield on review of the invoicing. Director Amaro seconded the motion, which then passed unanimously. Mr. Bartram then reviewed the fraud questionnaire from McCall Gibson Swedlund Barfoot, the District's auditor, and reminded the Board that this questionnaire was related to the District's audit and formed the basis for the representation letter that would be executed when the audit was presented. The Board discussed the steps that had been taken by the Board and its consultants to mitigate the risks of fraud, including the implementation of various internal controls and the annual review of the District's Code of Ethics, and the Board members confirmed that they were not aware of any fraud affecting the District.

There being no developers in attendance, Director Campbell next announced that the Board would conduct consultant evaluations. He stated that the evaluations would be conducted in executive session and asked if there were any further comments or questions from the residents. Mr. Hill stated that he had noticed the District's budget on the District's website and asked if additional financial information could be posted on the internet. Director Campbell stated that the Board would discuss the options with the District's bookkeeper. Director Campbell thanked the residents present at the meeting for attending, noting that the Board appreciated their input and participation.

At 7:30 p.m., Director Campbell announced that the Board would convene in executive session in order to conduct evaluations of the following consultants: Bott & Douthitt, PLLC (bookkeeping services); Kimley-Horn and Associates, Inc. (engineering services); Southwest Securities (financial advisory services); Crossroads Utility Services LLC (operation and management services); and Texas Disposal Systems, Inc. (recycling and solid waste disposal services), as permitted by Section 551.074 of the Texas Government Code. The Board reconvened in open session at 8:37 p.m., and Director Campbell announced that no action was taken in executive session. He stated that the reviews of TexaScapes, Inc.; Armbrust & Brown, PLLC, and the Travis County Sheriff's Department would be postponed until the October Board meeting. The Board generally agreed that Ms. Oliver would be reviewed as an employee in accordance with the District's personnel policy.

There being no further business to come before the Board, upon motion by Director Richter and second by Director Gray, the meeting was adjourned.

Date: _____.

(SEAL)

Alex Martinez, Secretary
Board of Directors