

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

September 27, 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 September 27, 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”**.

All of the Directors were present, as follows:

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

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 and Jenn Schmidt, residents of the District; Jim Nias, representing Village@Northtown, Ltd.; and Sue Brooks Littlefield of Armbrust & Brown, PLLC (“A&B”).

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. He first recognized Mr. Hill, who provided the outline attached as **Exhibit “B”** and the photograph of fencing attached as **Exhibit “C”**. He stated that District expenditures should be necessary and proper, and that fencing around the pond was necessary and keeping it up would be proper, but that the type of fencing now being proposed was the type to keep people out. He stated that, when the walls had been built around some parts of the District, he had felt that money was being spent unevenly. Mr. Hill then inquired if this new fence was a “need” or a “want”, and that vegetation on the existing fence was not a problem with fencing, but a problem with maintenance. He added that Mr. Foster had said that the fencing would have a warranty, but that he felt that, with single-source fencing, like the masonry fence, a problem could occur with matching the fence when accidents occurred. Mr. Hill stated that the current chain link fence could be found at any fencing store, that its life was 30 years, that the fence around the pond by his house was at most 15 years old and that this type of fence could easily be fixed with something matching. Mr. Hill stated that the pond was not something that was kept nice, nor was he advocating to do so, but that putting an iron fence up was an “in your face” thing, was not needed and was a waste of money. Mr. Hill stated that he

would like the Board to put this issue on hold, noting that he could not talk to his neighbors authoritatively because he did not have the necessary information. Mr. Hill also stated that galvanized fencing was a better quality option than the iron fencing that was proposed. Director Campbell refuted Mr. Hill's assertion that the fencing had never been discussed, noting that this was the third time it had been discussed by the Board and added that he didn't think that Mr. Hill's neighbors were interested in the issue as they had not attending the meeting. Mr. Hill responded that he had not been able to share the information he was provided because he was told it was not final and not to distribute it. Director Campbell stated that the material was presented at the August Board meeting, noting that he had provided this information to Mr. Hill in advance but did not want it distributed because he couldn't represent that it was going to happen. Mr. Hill then asked what was wrong with the current fences and Director Campbell responded that the current fencing did not match the fencing in other areas of the District facilities and that the Subcommittee's goal was to provide consistency in fencing design and fences that provided security. Mr. Hill stated that having two fences with a gap between them was a maintenance problem, but he didn't think this change was needed. Director Campbell stated that he believed most of the community would want the proposed iron fence. Mr. Hill pointed out that he had vegetation on the fence across from his house now. Director Campbell pointed out that the vegetation could go away. Mr. Hill agreed and added, as could the Board. Director Campbell pointed out that the Board represented the entire District. Director Richter then stated that the proposed fencing would improve the appearance of all of the ponds in the District. She also stated that the vines at the pond across from Mr. Hill's house were planted as a trial and were never expected to stay if they didn't work out. Director Campbell stated that he hoped Mr. Hill understood that the Board valued his input, but, being one voice, he could not always have his way. Director Campbell also explained that the Defender, a tall fence with angled spikes at the top, was not the design that was proposed for the ponds and he believed that this discussion had been the result of a miscommunication. Mr. Hill stated that any iron fencing was still more obtrusive as it did not blend with its background. Director Campbell stated that the Board felt that iron fencing would improve the appearance of the District and improve property values. Director Richter stated that correction of erosion at the existing base of the fence was necessary, even at the pond across from Mr. Hill's house and would need to be addressed regardless of whether the fence was replaced.

Director Campbell stated that the election item on the Board's supplemental meeting agenda was essentially a consent item and proposed moving it to the other consent items. The Board agreed.

Director Campbell then stated that the Board would discuss the tax, budget and bond items and recognized Mr. Taack, who distributed the tax rate analysis attached as **Exhibit "D"** and stated that he recommended that the Board maintain the same overall tax rate of \$0.7075. He noted that the Board had previously decided to look at the possibility of adopting a homestead exemption and had published a \$0.7122 proposed tax rate and that he would address the exemption proposal later. He stated that the recommended tax rate was allocated \$0.3346 to debt service and \$0.3729 to operations and maintenance. He noted that a \$5,000 exemption would save the average homeowner \$28 per year and reviewed the adjustments to the tax rate that would be

necessary to recoup the District's debt service requirement if an exemption was adopted. Mr. Taack also pointed out that the rollback for operations and maintenance would be \$0.3363. Ms. Littlefield explained that the Board could not implement a homestead exemption until the next tax year, due to a statutory requirement that the exemption be adopted by July. Mr. Taack stated that his company had maintained a level operations and maintenance tax rate for analysis purposes. Director Campbell stated that Ms. Allen had been concerned about adopting an exemption in a vacuum for the 2016 tax year and recommended that the District look at it in the May to June time range. The Board then discussed the rollback tax calculation. Mr. Taack stated that the calculation showed the highest rate that could be adopted before a District would be subject to a rollback election and then, if an election were held, the operations and maintenance rate that the tax would be rolled back to.

Director Campbell then stated that the Board would consider approving the following consent items on the Board's meeting agenda: the minutes of the August 23, 2016 Board meeting; the proposal from McCall Gibson Swedlund Barfoot PLLC for auditing services for the fiscal year ending September 30, 2106 attached as **Exhibit "E"**; the Resolution Authorizing Administrative Acceptance of Utility Facilities and Park and Recreational Facilities for Operation and Maintenance attached as **Exhibit "F"**; the Order Establishing Service Rates, Charges and Tap Fees and Adopting Rules and Policies with Respect to the District's Water, Wastewater and Drainage Systems attached as **Exhibit "G"** and the Order Declaring Election of Unopposed Candidates and Cancelling November 8, 2016 Director Election attached as **Exhibit "H"**. After discussion, upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the consent items.

Director Campbell stated that the Board would next receive the security report and recognized Deputy Gonzalez. Deputy Gonzalez stated that the August reportable crimes showed that there had been no residential burglaries for the third month in a row. Director Capers noted that there were a lot more locks on residents' gates. Deputy Gonzalez also reported that there had been no burglaries of vehicles in August. He noted that there had been one auto theft when an individual had left a vehicle running and someone had jumped in and driven away, as well as a couple of criminal mischief incidents. Director Amaro stated that he was pleased with the amazing turnaround in the crime statistics. Deputy Gonzalez stated that the neighbors were much more involved and keeping an eye out. He added that there had also been tremendous support by the Travis County Sheriff's Office at the National Night Out event.

Ms. Oliver then reviewed the vandalism report. She also called the Board's attention to the purchases authorized by the Security Subcommittee, which included a game camera and a locking cable. She reported that there had been a problem with the security camera at the pavilion and asked if this was a security item or a park item. Director Amaro suggested including this with the other security cameras. Director Haught agreed that it was more a part of the Security Subcommittee's purview. Ms. Oliver stated that there were sufficient funds in the maintenance budget to cover this expenditure. Director Amaro moved that the Board authorize Ms. Oliver to repair or replace the camera as needed. Upon second by Director Capers, the motion was unanimously adopted. Ms. Oliver stated that she thought the system had been damaged

by a lightning strike. Ms. Oliver stated that the camera was installed as part of the pavilion project, but that the company who had installed the camera was no longer in business. **Ms. Littlefield suggested checking with TML to see if the damage was covered by insurance and Ms. Oliver agreed to do so.** Ms. Oliver then reported that the National Night Out event had come in under budget and that she had even had vendors call and ask to participate. She stated that there had also been some very good entertainment that had received positive feedback. Director Amaro stated that he had received some very good feedback on the boat as well as the helicopters. Ms. Oliver stated that the canopies made it much cooler for the bands, and also said that Captain Smith had done a great job in providing participation by the Sheriff's Department.

Director Campbell then stated that the Board would consider landscape maintenance matters and recognized Mr. Fadal, who presented his report, attached as **Exhibit "I"**. He discussed the plant of the month, Zexminia, which he stated grew summer through fall and was an evergreen, which grew equally well in rocky soil as in deep soil. He stated that his crews had finally been able to catch up after being behind due to the rain and that they were almost through mulching beds. He stated that they had started applying fire ant treatment, since there had been a flurry of ants after the August rains. Mr. Fadal noted that fertilizer was about to go out on the fall grass, trees and shrubs, and that his crews were doing a lot of cleaning and pruning due to growth after the rains. He then called the Board's attention to the proposal for fall overseeding, attached as **Exhibit "J"**, and requested approval. Director Richter moved approval of the proposal and, upon second by Director Haught, the motion was unanimously adopted.

Mr. Taack then confirmed that the rollback analysis he had presented was correct and again called the Board's attention to the notice that had been published. He stated that the change in the tax on the average residential homestead based on the \$0.7075 tax rate was 7.99% and did not hit the 8% rollback level and so the District would not be subject to a rollback election.

Director Campbell stated that, with that clarification, the Board would next conduct a public hearing on the District's proposed 2016 tax rate, \$0.7075 per \$100 assessed valuation. He opened the public hearing and inquired if there was anyone present who wished to address the Board on the matter of the District's tax rate. He recognized Mr. Hill, who stated that he appreciated the explanation of the homestead exemption and the proposed tax rate and was still concerned about the deficit budget. He stated that he didn't think the District should continue to operate at a deficit and hoped that the Board would start looking at a small homestead exemption around April of the next year. Director Campbell assured him that the Board would do so. Director Campbell also noted that the deficit spending was actually based on a recommendation from the District's financial advisor, in order to draw down the District's reserves. Mr. Douthitt stated that there was about \$8,000,000 in the District's general fund reserve. There being no one else who wished to address the Board, Director Campbell closed the public hearing.

Director Campbell stated that the Board would next consider taking action regarding the 2016-2017 budget. Mr. Douhitt reviewed the proposed budget, noting that there had been no material changes from the draft presented at the prior meeting. Director Amaro noted that a line item had been added for fence repair, which seemed to be a recurring expense. Mr. Douthitt stated that he had not increased the amount for maintenance of the District's systems, but probably would revisit that in the future. After discussion, upon motion by Director Richter and second by Director Capers, the Board voted unanimously to approve the Resolution Adopting Budget attached as **Exhibit "K"**.

Director Amaro then moved that the Board adopt the tax rate of \$0.7075 per \$100 assessed valuation, as recommended. Director Richter seconded the motion, which was adopted with Directors Campbell, Richter, Haught, Capers and Amaro all present and voting "yes". Upon motion by Director Capers and second by Director Amaro, the Board voted unanimously to adopted the Order Levying Taxes attached as **Exhibit "L"** and the Amended and Restated Information Form attached as **Exhibit "M"**.

Director Campbell then stated that the Board would defer discussion of the proposed homestead exemption until the Spring. Director Haught stated that she appreciated the explanation and the detail provided by Mr. Taack.

Director Campbell then recognized Mr. Taack in order to receive a report on the District's Unlimited Tax and Revenue Refunding Bonds, Series 2016. Mr. Taack stated that he had no update on the refunding, noting that council action was anticipated in October. Director Campbell thanked Mr. Taack for his presentation.

Director Campbell 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 "N"**. She called the Board's attention to the renewal of the Water System Maintenance Agreement with Central Texas Water Maintenance attached as **Exhibit "O"**. She stated that the contractor had approved the revisions requested by Ms. Littlefield. Upon motion by Director Richter and second by Director Capers, the Board voted unanimously to approve the Agreement.

Ms. Oliver then stated that the solid waste subcommittee had met with the Texas Disposal Services ("**TDS**") and that Jay Howard was going to be the District's representative going forward. She stated that there had been an incident with a driver and the detective was working on contacting the driver who had reported the incident.

Director Campbell stated that the Board would next receive a report from the Median and Right-of-Way Maintenance Subcommittee. Mr. Foster stated that, during his review, he had found some gaps in maintenance and some areas that were being maintained that shouldn't have been. He called the Board's attention to diagram attached as **Exhibit "P"**, noting that the District had been mowing the area, but that there was no easement, and so the District's crews had stopped mowing the area. Mr. Foster explained that the Wildflower Homeowner's Association (the "**HOA**") had asked if the District would take over the maintenance again. After discussion, upon motion by

Director Richter and second by Director Amaro, the Board voted unanimously that, if the HOA was successful in obtaining an easement over the area from the homeowners, that the District would resume the maintenance.

Director Campbell then stated that the Board would discuss Parks Subcommittee items. Director Richter stated that there was nothing to report. Mr. Foster called the Board's attention to quarry wall bid tabulation attached as **Exhibit "Q"**, noting that the HOA would like the quarry rocks put back. Mr. Foster reviewed the bid tabulation and recommended award of the contract to the low bidder. He also called the Board's attention to the professional services agreement with his company attached as **Exhibit "R"** and explained that he was requesting an additional \$2,500 to complete oversight of the project. Upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the award of the contract to TCB Construction, the low bidder and to approve the professional services agreement. Mr. Foster then presented the proposal for repainting the park pavilion attached as **Exhibit "S"** and stated that the paint was worn and needed maintenance. He stated that this contractor had done the work originally as a subcontractor to G Creek. Upon motion by Director Richter and second by Director Capers, the Board voted unanimously to approve the proposal.

Director Campbell stated that the Board would next receive the engineer's report. Mr. Foster reviewed his report, attached as **Exhibit "T"**, and noted that he had reformatted his report to focus on the action items. Mr. Foster stated that the District had received an executed agreement from Village@Northtown for mitigation by payment in lieu of replacement of trees, attached as **Exhibit "U"**, and the related payment which had been given to Mr. Douthitt. He noted that the Heatherwilde Retail Center ("**HRC**") had requested District approval of the Twelfth Amendment to Agreement Concerning Creation and Operation of Northtown Municipal Utility District attached as **Exhibit "V"**. Mr. Foster explained that HRC's permit had expired and the City was now requiring this amendment to allow a curb cut. Upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the Amendment. Mr. Foster then stated that Village@Northtown had bid the John Henry Faulk Drive water and wastewater improvements and presented the bid tabulation attached as **Exhibit "W"**. He stated that there had been nine qualified bidders and, based on engineer's recommendation, he recommended award of the contract to the low bidder, CC Carlton, for a bid amount of \$1,141,022.00. Mr. Anderson stated that this project would add some loops and open up some new areas to development. Upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the developer's award of the contract, as recommended.

Mr. Foster reported that he needed to work with Mr. Fadal on some outstanding MS4 maintenance items.

Mr. Foster then noted that less than 25% of the District Fence and Facility Assessment related to fencing around the ponds. He stated that the Infrastructure Subcommittee had recommended purchase of additional panels to provide replacement fencing in the case of damage and apologized for the miscommunication on the Defender design. Director Campbell asked if Mr. Foster would have the final budget and plan available at the next Board meeting and Mr. Foster stated that he was asking for

approval to move forward with the easement acquisition/license agreement for the project. He stated that every quadrant of the District was affected by this project, even to the extent of including the fence design information in an amendment to the proposed Village@Northtown reimbursement contract to ensure consistency. Director Amaro addressed Mr. Hill and stated that, in each of the considerations, he had thought about Mr. Hill's input and that he appreciated that Mr. Hill attended the meetings and provided his thoughts. Director Amaro stated that one of the things that was emphasized in this very painstaking process was looking at areas where the fencing was installed and, when the Board had started its discussion, had taken into consideration long-term maintenance as well as safety issues. He added that other issues were continuity and the relative cost if the project was done piecemeal or all at once. Mr. Hill stated that there were some nuances that he felt should be looked at before the project went to bid, including the aspect of visibility on a point where one of the fences intersected with his neighbor's privacy fence. Director Richter stated that, in the past, someone had met with the neighbors at the point that the District was actually installing the fencing. Mr. Foster pointed out that this project was a replacement of District fencing and different from that project. Mr. Foster stated that he would meet with Mr. Hill to discuss his concerns and also had some areas that he needed to discuss with Ms. Schmidt. Mr. Foster stated that he was looking for authorization to proceed to finalize design so he and Ms. Littlefield could work on obtaining easements and license agreements, as appropriate. Director Campbell stated that would like to do this with the understanding that there might be some fine-tuning necessary adjacent to residences on a limited basis. Director Amaro stated that the Infrastructure Subcommittee intended to keep a very close involvement in this project. Director Campbell invited Mr. Hill to participate in the next Infrastructure Subcommittee meeting. **Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to authorize Mr. Foster to move forward with finalization of the plans and procurement of the necessary easements and license agreements.**

Mr. Foster stated that he was working on obtaining an easement for the concrete trail improvements on the Village@Northtown property, to provide access back to the school, but that it would not be finalized until completion of the Village pond renovation project.

Director Campbell then recognized Mr. Douthitt, who presented the updated cash activity report attached as **Exhibit "X"**. 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 \$24,100, from the District's lockbox account to the TexPool general operating account in the amount of \$90,000, and from the Logic refunding account to the Logic Debt Service in the amount of \$11,767.38. Mr. Douthitt then reviewed the Director and vendor payments. Mr. Douthitt reminded the Board that he hadn't had the City of Austin bill for July at the last meeting and explained that he had received it about three weeks ago and had also received the August bill, which the City had then reissued, which lowered it by about \$6,000. He stated that he felt this is related to the inflow and infiltration adjustment and recommended payment of the revised invoice. Mr. Douthitt stated that he would have Mr. Joyce review the invoice. He then reviewed the payments that had been made out of the bookkeeper's account during the prior month, including

deposit refunds and utility payments. Mr. Douthitt then reported that about \$220 of the AT&T charges that had been discussed at the prior meeting related to the telephone line at the office and about \$380 related to the District's autodialers. He noted that he had talked to AT&T about reducing the bill to \$180 per month for the autodialers, but that this would require the District to get a tablet that actually had no value. Mr. Anderson then presented the information comparing AT&T at the original \$380 per month charge versus Aquavox equipment and subscription. After discussion, **the Board directed Mr. Douthitt, Ms. Oliver and Mr. Anderson to work on this issue and present a report at the next Board meeting.** Upon motion by Director Haught and second by Director Capers, 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 "Y"**. Mr. Anderson noted that the District had 2,955 occupied single-family connections, a total of 3,837 accounts, and an estimated population of 10,110 as of August. He reported that the District had received satisfactory lab results for its water samples, and had experienced a water loss of 9.99% during the prior reporting period. Mr. Anderson then called the Board's attention to the five write-offs set forth on **Exhibit "Z"**, and recommended approval. After discussion, upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the recommended write-offs. Mr. Anderson then reported that he had received a letter from the City of Austin explaining that the City had made substantial changes to the way it was handling its drought contingency and water restrictions and would like to refer it to the Drought Contingency Subcommittee, noting that some of these changes were good and some were bad. **The Board agreed that Directors Campbell and Capers would work with Mr. Anderson on this matter.**

Director Campbell stated that the Board would next hear from developers' and landowners' representatives. Ms. Littlefield requested that a subcommittee be appointed with authority to finalize any approvals needed for Village@Northtown to proceed with its development between meetings. The Board agreed that Directors Capers and Campbell would serve as the Village@Northtown Subcommittee. Ms. Littlefield then presented an Amendment to Utility Construction Agreement, which she explained would extend the time for completion under an existing reimbursement agreement with Village@Northtown dated June 26, 2007 and a form of easement that she explained was proposed to be used if Village@Northtown needed to construct facilities on District property that required tree removal. She also presented the Amendments to Cash Security Agreements for Park Improvements attached as **Exhibits "AA"** and **"BB"** and explained that these extended the time for Village@Northtown to complete a sewer line and parking lot by one year. Mr. Nias stated that he believed, after talking to Mr. Foster, that the language in the Amendment to Utility Construction Agreement should be clarified, since it incorporated the District's proposed new fencing standards, but fencing was not required in all areas. **Ms. Littlefield recommended that the Board authorize the subcommittee to negotiate and execute the Agreement, and direct that the final amendment be brought back to the Board.** After discussion, upon motion by Director Richter and second by Director Haught, the Board voted unanimously to appoint the

subcommittee to approve the amendments to the Cash Security Agreement, and to authorize the subcommittee to negotiate and execute the Amendment to Utility Construction Agreement.

There being no other business to come before the Board, the meeting was adjourned.

(SEAL)

Kathy Haught, Secretary
Board of Directors

Date: October 25, 2016