

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

October 23, 2012

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 October 23, 2012 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

All of the Directors were present, except Director Gray and Director Martinez, thus constituting a quorum. 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; Richard Fadal of TexaScapes, Inc.; Scott Foster of 360 Professional Services, Inc.; Cheryl Allen of Southwest Securities; Lee Hill and Alan Rivaldo, residents of the District; and Sue Brooks Littlefield of Armbrust & Brown, PLLC. Deputy Keith Kinnard of the Travis County Sheriff's Department; Dick Brown of HURF and Cathy Haught, a resident of the District, arrived later.

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. Mr. Hill thanked the Board for putting the Board's meeting packet on-line, noting that this helped fill in information and made the information at the meeting more useful. He also stated that the on-line financial information, in essence opened the District's checkbook and he would like to get the District commended by the Comptroller. Director Campbell thanked Mr. Hill for his comments. Mr. Hill then stated that he hoped that, at some point, the District would discontinue issuing debt and begin paying it down. Director Campbell stated that the District would discontinue issuing debt as soon as the infrastructure was built-out and paid for. Mr. Douthitt stated that the debt information in the bookkeeper's report was generally from the audit and noted that the information had not been updated after the refunding bonds were issued. He noted there would be an update available within a few months.

Director Campbell then stated that the Board would discuss the City of Austin electric rate increase, including the request for financial support to challenge the out-of-City electric rates by HURF. Director Campbell called the Board's attention to the request attached as **Exhibit "B"**. The Board discussed the impact of the increase on the

District and Mr. Douthitt pointed out that the District's electric bills were generally in the \$3,000 to \$4,000 range, but that the District's customers south of Wells Branch Parkway were also served by City of Austin electric. Director Campbell noted that, as the District had already committed to one rate challenge, he would feel more comfortable if the entirety of the Board was present to make the decision on whether or not to support this additional request. Director Richter asked if deferring the request until the next month would be too late. Director Campbell responded that the rate increase would not be effective until this month and so he didn't anticipate it would be too late. Mr. Brown then arrived at the meeting and addressed the Board regarding the City of Austin's proposed rate increase. He explained that the rate increase would impact customers outside the City more than those inside the City. Mr. Brown stated that the rate increase had been misrepresented in the press, noting that there would be a graduated rate structure, which would be the only one in the State. He called the Board's attention to the proposed tiered rate structure and noted that the rates would increase with consumption. Mr. Brown added that, while the average ratepayer would be paying \$7.00 more per month, customers at the highest level would be paying \$50 to \$100 more per month. He also noted that the City made a huge transfer from the electric utility to its general fund, which was, in essence, 15% of each bill. He stated that this surcharge was in essence a tax that would be transferred to the general fund and spent on standard services and amenities for the citizens of the City of Austin and would not be shared by those outside the City. Mr. Brown stated that, about three months previously, he had formed an organization to appeal this increase. He stated that the petition had been filed and the City would be required to file a rate case justifying the increase. He stated that one point of attack was the transfer to the general fund. Mr. Brown stated that the City's tax rate was held to a low level because of the subsidy by non-residents. He reviewed some of the alternative energy sources the City had pursued and noted that the electric utility was out of control and operating as an experimental laboratory to investigate alternative "green" forms of energy supported by citizens of Austin, but the non-residents did not have a voice. He stated that the rate case would cost between \$250,000 and \$300,000. Mr. Brown added that the City had budgeted \$3,000,000 to put on its rate case. He stated that he felt that the Commissioners of the Public Utility Commission would be appalled. Director Richter asked that this request be put back on the agenda for the next month's meeting and that the same backup be provided.

Director Campbell then stated that the Board would discuss the City of Austin's wholesale water and wastewater rates, including a potential rate challenge. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to authorize the Subcommittee consisting of Director Campbell and Director Gray to negotiate and execute an Interlocal Agreement with other participants in the rate challenge, and to appoint Director Campbell as the District's primary representative and Director Gray as his alternative under the Interlocal Agreement. A copy of the Interlocal Agreement so authorized is attached as **Exhibit "C"**.

Director Campbell stated that the Board would next consider approving the minutes of the September 25, 2012 Board meeting. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the minutes.

Director Campbell then stated that the Board would receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver stated that she had no directives to report

on, but called the Board's attention to the expense and maintenance reports attached as **Exhibits "D"** and **"E"**. She also advised the Board that the District was getting a lot of positive comments on the dog park. Ms. Oliver stated that the only problem was with dogs digging up the tree rings. Ms. Oliver requested that the Board authorize her to have signage posted to notify residents to watch their dogs around the newly planted trees, and the Board did so.

Director Richter then recommended that the Board authorize the sale of certain surplus ceiling fans and moved that the Board approve the Order Declaring Certain Property to be Surplus and Authorizing Sale attached as **Exhibit "F"** and that the sales price be subject to approval by the Parks Subcommittee. Upon second by Director Amaro, the motion was unanimously adopted. Mr. Douthitt reminded the Board that the District would need to charge sales tax on the sales price.

Director Campbell stated that postage stamps were going to go up in price in January and recommended that Ms. Oliver purchase additional stamps before January to save money. The Board agreed and directed her to do so.

Director Campbell then recognized Mr. Fadal for purposes of receiving the District's landscape maintenance report. Mr. Fadal presented the plant of the month, the Viola or Grandmother's Pansy. He stated that his crews were planting these pansies in the District and that they were very cold-tolerant. He then presented his report, attached as **Exhibit "G"**, noting that the trees around the parking lot were losing leaves and stated that he was not sure if this was from the drought, but was monitoring the situation. Mr. Fadal then presented the proposal for annual overseeding attached as **Exhibit "H"** and reviewed it with the Board. He stated that his company would be adding a "light topdressing" with it, which would help the seed germinate quicker and with less water. He confirmed that this was in the budget. Director Richter recommended approval of the proposal. Upon motion by Director Amaro and second by Director Richter, the Board voted unanimously to approve the proposal.

Director Campbell stated that the Board would next receive the engineering report. Mr. Foster presented his report, attached as **Exhibit "I"**, and advised the Board that he had been working with Mr. Anderson on the emergency action plan and felt that they were at a good starting point. He added that they were working on adaptation for changing circumstances. Mr. Foster confirmed that he had reached out to the Texas Commission on Environmental Quality ("*TCEQ*"), but had not yet gotten a response. Mr. Foster stated that Section 5 was now paved and that this was KB Homes' last section. He stated that he anticipated bringing this Section back to the Board for acceptance in November or December, and that homes would begin being built before the end of the year. Mr. Foster stated that there had been no change in the Wells Branch Parkway extension project. He stated that he had been in contact with the contractor on the low flow lift station and the work was progressing slowly, but he hoped to do the walk-through and to have the punch list items completed by the next Board meeting. He noted that the well project was complete and recommended referring the final Pay Estimate and release of retainage and final acceptance to the Park Subcommittee. Director Richter moved referring payment to the Park Subcommittee and to authorize the Park Subcommittee acceptance after the final walk-through. Upon second by Director Amaro, the motion was unanimously adopted.

Mr. Foster stated that he and Mr. Douthitt were working on the surplus funds analysis and that he anticipated there would be some reimbursement of the general fund and that the remaining balance would be held for the force main project. Mr. Foster stated that the MS4 rules were still under analysis by the TCEQ staff and so the District would continue under the existing permit and he would submit a new application once he received updated guidance from the TCEQ. He stated that he had met with the Infrastructure Subcommittee, and had discussed alignments and preliminary costs for the force main project. He added that he had a meeting scheduled with City of Austin to discuss alignment. Mr. Foster stated that he intended to process the project for expedited review.

Director Campbell then stated that the Board would discuss park development matters and recognized Director Richter. Director Richter called the Board's attention to the report attached as **Exhibit "J"**.

Director Campbell then recognized Mr. Douthitt for purposes of receiving the bookkeeper's report. Mr. Douthitt reviewed his updated report, attached as **Exhibit "K"**, with the Board. He reviewed the transfers set forth on page one of his report. He also recommended renewal of the District's CDs with IBC Bank and First State Bank as listed on page one of his report. Director Campbell asked about money market accounts as a higher-interest alternative and Mr. Douthitt explained that the banks tended to give a lower rate of interest to governmental accounts due to hoops that had to be jumped through. He called the Board's attention to the payments that had been added to the list of bills and invoices since the date of the packet and noted that the per diems to Directors Gray and Martinez would need to be voided due to their absence from the meeting. He reviewed some payments that were larger than usual and explained that the Crossroads' payment included costs associated with the force main repair and that the TexaScapes' invoice included the dog park work and dead tree removal. Mr. Douthitt also reviewed the activity in the manager's account. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the renewal of the CDs, the transfers and the payment of the bills and invoices, as presented.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager and utility operator's report. Mr. Anderson stated that the District currently had 2,827 active connection and 2,933 total connections. He stated that there had been a slight water gain. Mr. Anderson stated that he had no 90-day arrears to present. He called Board's attention to list of write-offs attached as **Exhibit "L"** and requested approval. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the write-offs. Mr. Anderson then explained that he requested a 5% increase in Crossroads' monthly charge, in addition to the CPI adjustment. He stated that he had not done the CPI adjustment, but that it was provided for in the contract. Ms. Littlefield recommended that the Board consider renewing the contract and extending the term if it was renegotiating Crossroads' compensation. Director Campbell agreed, and recommended approving the CPI adjustment as permitted under the contract and appointing a subcommittee to negotiate a renewal of the contract and extension of its term. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to appoint Director Campbell and Director Amaro as the Subcommittee to negotiate a renewal of the contract and extension of its term.

Director Campbell stated that the Board would next receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield reported that all of her directives were either completed or in process.

Director Campbell then stated that the Board would receive reports from developers' and landowners' representatives. Ms. Littlefield gave an update on the Tech Ridge multi-family project and the proposed amendment to the restrictive covenants.

Director Campbell stated that the Board would next discuss the Board's holiday meeting schedule. After discussion, the Board agreed to move its December meeting to December 17th at 5:45 p.m. and to have its holiday dinner after the January Board meeting.

At this time, Deputy Kinnard arrived at the meeting. Director Campbell then recognized Deputy Kinnard for purposes of receiving the security report. Deputy Kinnard reported that there had been seven suspects apprehended for burglaries in the Brookfield and Wildflower subdivisions. He stated that one of the groups of suspects was involved in gang-related activity, that they all had lengthy records, and that they were all adults. He reported that all incidents in the District were down and that he anticipated that burglaries would be down now that these suspects had been apprehended.

Director Campbell stated that the Board would next conduct consultant reviews. At 7:33 p.m. the Board convened in executive session as permitted under Section 551.074 Local Government Code in order to discuss personnel matters. At 8:28 p.m., the Board reconvened in open session and Director Campbell stated that no action had been taken during executive session.

There being no further business to come before the Board, upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to adjourn the meeting.

Date: _____.

(SEAL)

Alex Martinez, Secretary
Board of Directors