

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

January 26, 2010

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 January 26, 2010, at the Wells Branch Community Center, 2106 Klattenhoff Drive, Austin, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the notice is attached as **Exhibit "A"**.

The roll was called of the members of the Board:

Robin Campbell	-	President
Brenda Richter	-	Vice President
William E. Henderson	-	Treasurer
Scott M. Gray	-	Secretary
Alex Martinez	-	Assistant Secretary

and all of the Directors were present, thus constituting a quorum. Also present at the meeting were Mona Oliver of Wells Branch Municipal Utility District; Robert Anderson of SWWC Services, Inc. ("SWWC"); Allen Douthitt of Bott & Douthitt, P.L.L.C.; Scott Foster of Kimley-Horn & Associates, Inc.; Richard Fadal of TexaScapes, Inc.; Scott Krchnak and Jimmy Romell of Maxwell, Locke & Ritter; Crystal Kaylakie of Southwest Securities; Lee Hill and Amanda Gomez, residents of the District; Jim Nias and Kathryn Loayza of Jackson & Walker, LLP representing Village @ Northtown, Ltd. and Sue Brooks Littlefield of Armbrust & Brown, L.L.P. Deputy Keith Kinnard of the Travis County Sheriff's Department arrived later.

Director Campbell called the meeting to order at 5:45 p.m. and reminded all consultants and other professionals in attendance that the Board was planning a short meeting, and that brevity would be appreciated. He stated that the Board would first consider approving the consent items on the Board's meeting agenda: the minutes of the November 18, December 9 and December 14, 2009 Board meetings and 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 Systems attached as **Exhibit "B"**. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the consent items.

Director Campbell then stated that the Board would receive citizens' communications. There being none, Director Campbell stated that the Board would receive a report from the District's auditor and recognized Mr. Romell. Mr. Romell presented the audit report attached as **Exhibit "C"** and stated that his firm's opinion on the District's financial statements was an unqualified opinion, which was the highest level of opinion an auditor could give. He stated that the District had a healthy fund balance of about \$8.1 million. He added that the notes to financial statements were integral to understanding them. Mr. Krchnak advised the Board of a new regulation, GASB 54, which would affect how the District's financial information was presented on the balance sheet in the future. Mr. Romell then called the Board's attention to

certain required supplemental schedules, which he noted were required by the Texas Commission on Environmental Quality, and which included the District's water accountability for the past fiscal year, which he stated was 93.7%. He added that the District had experienced excellent tax collections and called the Board's attention to a detail of the District's debt service requirements. Director Henderson inquired how the financial statements would be broken down more specifically under GASB 54, and Mr. Krchnak responded that reserved fund balances would be identified as nonspendable, restricted or committed. Mr. Romell then presented the SAS 114 letter, attached as **Exhibit "D"**, and noted that this was a required communication with the Board. He pointed out that his firm had experienced no difficulties in dealing with management and appreciated the assistance of Bott & Douthitt in performing the audit. He also reviewed the one-page report on internal controls attached as **Exhibit "E"**, and explained his firm's review of the District's internal controls, adding that no material weaknesses had been noted. Director Campbell commended Mr. Romell and Mr. Krchnak on their presentation, which he stated was very clear. Director Richter the moved that the Board approve the audit report and authorize its filing. Upon second by Director Henderson, the Board voted unanimously to do so. Director Campbell then asked for volunteers to serve on the District's audit committee. After discussion, Director Gray and Director Campbell agreed to serve as the audit subcommittee for the 2010-2011 fiscal year audit process. Mr. Krchnak stated that he and Mr. Romell would work with the audit subcommittee on implementation of GASB 54.

Director Campbell stated that the Board would postpone the security report until Deputy Kinnard arrived at the meeting. He then recognized Ms. Kaylakie, who advised the Board that she and Ms. Allen had met with the Board's Bond Subcommittee which recommended that the District proceed with a \$5.2 million bond issue. She distributed the information attached as **Exhibit "F"**, and explained that the growth projections used were consistent with what had been presented in 2009 and that she had not projected much new home construction for the next few years. She called the Board's attention to the projects that would be reimbursed through the proposed issue and the facilities that would be acquired. She also pointed out that there were some future projects which could be included for funding if the Board wished to do so. Ms. Kaylakie estimated that the District could sell its bonds at about a 6% interest rate, but added that, because the District was rated and insured, she expected that the rate would be lower than this. She stated that the current debt service tax rate was sufficient to meet the debt service requirements on the District's outstanding bonds and, with growth, that only a modest increase in the debt service tax rate would be required for the proposed bonds. She added that there was only a one cent difference between the growth and no growth tax rates that were projected. Ms. Kaylakie reviewed the District's operations and maintenance tax requirements and noted that the projections included about a \$1 million transfer each year to the District's park fund. Director Richter asked the subcommittee for its recommendation. Director Campbell explained that, after meeting with the District's financial advisor he and Director Gray were comfortable proceeding with the bond application. Ms. Kaylakie stated that the application would have to be prepared, submitted and approved, and that it would be late in 2010 before the bonds could be sold. Director Campbell reminded the Board that the District had a contractual obligation to the developers, and added that this step would only authorize the financial advisor to start the process. Upon motion by Director Gray and second by Director Richter, the Board voted unanimously to move forward with the application. Director Campbell then raised the question of who would be retained to prepare the bond application, noting that, in the past, the District's engineer had done this work and that bond applications had been a primary skill of the former engineer. He noted that, when the Board had retained the District's current engineer, it had

decided to defer a decision on who would do this work for the District. He added that this was a decision that needed to be made before moving forward. Director Campbell then recommended that the Bond Subcommittee be authorized to solicit proposals and bring a recommendation to the Board at the next meeting. Director Richter moved that the Bond Subcommittee be authorized to solicit and review proposals for an engineer to prepare the bond application and make a recommendation to the Board. Upon second by Director Henderson, the motion was unanimously adopted.

Director Campbell then noted that Deputy Kinnard had arrived, and recognized him for purposes of receiving the security report. Deputy Kinnard reported that he had called in some additional resources on the illegal dumping that had been reported, noting that there had been an environmental issue due to paint which had been improperly disposed of in the area. He added that there was no danger to the watershed as the paint had been contained on site, and stated that the landowner was moving all trash and debris and pumping and removing the paint, and would also be building a new fence. He stated that this had been an example of great voluntary compliance. Director Richter inquired whether the creek clearing in the park areas was helpful to the Sheriff's Department. Deputy Kinnard stated that it was, as it enabled the deputies to see throughout the park. Director Richter thanked Deputy Kinnard for his assistance with the clean-up. Director Campbell then reminded the Board that the District's agreement with Sheriff's Department needed to be renewed. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the Request for Secondary Employment of Law Enforcement and the Agreement with Respect to Use of Vehicles in Connection with Off Duty Employment of County Peace Officers, attached as **Exhibits "G" and "H"**, respectively.

Director Campbell then recognized Ms. Oliver for purposes of receiving a report under the Interlocal Agreement with Wells Branch Municipal Utility District. Ms. Oliver presented the proposal for the BBQ grills which is attached as **Exhibit "I"**. Director Richter explained that the grills and tables were part of the LCRA grant. Upon motion by Director Martinez and second by Director Gray, the Board voted unanimously to approve the proposal.

Ms. Oliver then presented the proposal for repairs to the playscape equipment, including panel replacement, attached as **Exhibit "J"**. Director Richter explained that these particular playscapes were approximately 15 years old and, in conjunction with the Park Subcommittee's park walk-through, repairs that were needed had been identified. She stated that the proposed work would not include replacement of the tube slides, and that they would be removed and paneled off at the top. Director Richter stated that there were other slides that were still usable. Director Richter also stated that she had been discussing Americans with Disabilities Act requirements with the park consultants and that she felt there was some interim work that should be done before the playscape equipment was replaced in the future. She stated that the Park Subcommittee proposed phasing in the work while keeping the facilities safe. Director Gray asked who had made the decision on the safety of the equipment. Director Richter responded that she was getting recommendations from the park consultants on maintenance that should be done in interim. Director Martinez then moved that the Board approve the proposal. Upon second by Director Gray, the Board voted unanimously to do so.

Ms. Oliver then presented the proposal for magnetic identification signs for District and Board vehicles which would include the new District logo, attached as **Exhibit "K"**. Director Richter explained that the proposal would allow official vehicles to be identified so residents

knew who was in the park. Director Gray moved that the Board approve the proposal and, upon second by Director Henderson, the motion was unanimously adopted.

Ms. Oliver then presented the restrictive covenant violation report and reviewed it with the Board. After discussion, the Board agreed that the violations at 13180 Greinert, 13900 Lampting and 13900 Connor Downs would be referred to the District's attorney for a follow-up letter. Ms. Oliver reported that the resident at 13726 Lampting had a fence violation and had not responded to the letters which had been sent. Director Richter moved that the Board authorize proceeding with litigation with respect to the violation at 13726 Lampting. Upon second by Director Campbell, the motion was unanimously adopted. Ms. Oliver reported that she had no update on the Wildflower street address project, noting that the Boy Scout group that had been interested in doing it had found another project and was no longer interested, but that she would try to identify other groups for this project.

Director Campbell then advised the Board that, currently, the District had two drop boxes, one at SWWC Services and one at Wells Branch. He explained that the Wells Branch location had created some difficulties and suggested that, as the Board looked into a location for a meeting place and facility in the District, it also look for an alternative drop-box location. He noted that there might be an option for a free-standing facility which would be secure but, in the interim, Wells Branch would continue to allow payments to be made at its drop-box. Director Richter directed Ms. Littlefield to contact the Villas at Tech Ridge about the possibility of locating something near that apartment complex. Ms. Littlefield agreed to look into possible locations for a drop box.

Director Campbell then stated that the Board would receive a report from the District's landscape maintenance contractor and recognized Mr. Fadal. Mr. Fadal advised the Board that all maintenance was going very well. He called Board's attention to the list of projects attached as **Exhibit "L"**, noting that the dead tree removal had been completed and the Pecan grove was substantially complete. Director Richter then presented the proposal attached as **Exhibit "M"**, which she stated would address the City of Austin's concerns about the Tudor House pond. She stated that Mr. Foster would bring a recommendation for ongoing maintenance of the pond to the next meeting. Mr. Fadal explained that Mr. Foster had prepared the details and specifications for the work. Upon motion by Director Henderson and second by Director Richter, the Board voted unanimously to approve the proposal. Mr. Foster requested that Mr. Fadal provide him with a schedule for the work so he could coordinate with the City inspector, and Mr. Fadal agreed to do so.

Director Richter then presented the park report attached as **Exhibit "N"**. She explained that Mr. Foster was providing detailed directions to Wells Branch for any work that needed to be performed, which was very helpful. She stated that she was very pleased with the Pecan grove and also advised the Board that the Park Subcommittee had authorized \$900 in additional costs for installation of water to the new trees because the water line wasn't located where it was supposed to be. She also reported that the District had provided an interim report to the LCRA on the grant. Director Richter added that, in February, she anticipated requesting Board approval to move forward with a park pavilion. She added that TBG had a lot of history in doing these types of structures. Director Richter reported that she and Director Henderson had taken the Village @ Northtown's consultants on a tour of the District and had pointed out the Board's concerns, including connectivity and encouraging the use of non-graffiti friendly surfaces. She

reported that the District had finally gotten a report from Horizon Environmental on the well at the park, and that it had been determined that the oil was crude oil. She recommended that the District plug the well, noting that it would be slightly more expensive to drill the future park irrigation well because of the oil shelf. She stated that the Park Subcommittee had spent less than originally authorized, but that not enough authority was left to pay to plug the well. Mr. Foster stated that he thought it would cost less than \$10,000 to complete the work. After discussion, Director Gray moved that the Board authorize Mr. Foster and the Park Subcommittee to proceed with a permanent solution by plugging the well at cost not to exceed \$10,000. Upon second by Director Martinez, the Board voted unanimously to do so. Director Richter commended Mr. Foster for his work on the project.

Director Richter then presented the supplemental services agreement with Kimley-Horn & Associates attached as **Exhibit "O"**, and stated that this was for Mr. Foster's services in connection with McCallen fence project. She noted that the original Fencecrete agreement did not include removal and haul off of the existing fences. She recommended approval of both options 1 and 2, at a cost not to exceed to \$10,500. Director Henderson moved that the Board approve the supplemental services agreement. Upon second by Director Martinez, the Board voted unanimously to do so.

Director Campbell reported that the District had received approval from all of the affected residents to move forward with that fence project and added that the Board appreciated the residents' involvement and was looking forward to completion of the project. Director Richter stated that the project was not imminent, as there was surveying and permitting work that would need to be completed before construction began.

Director Richter then explained that ADA compliance had been raised as an issue with respect to the proposed disc golf course. She stated that Mr. Foster had spoken with the TDLR regulatory manager who had confirmed that the District was required to be compliant for every T-box on the course. She stated that this was something the District needed to do, but that it was an expensive project and the District would need to process a permit with the City to move forward. Mr. Foster presented the supplemental services proposal attached as **Exhibit "P"**, projecting a cost of \$14,500 for his firm's work in obtaining the necessary approvals. Director Richter recommended approval of the proposal. Director Martinez expressed a concern about future maintenance issues if the T-boxes were not concrete. Director Richter responded that the problem was an impervious coverage issue. Director Henderson suggested that the District utilize limestone curbing. Mr. Foster pointed out that impervious cover was an issue because the proposed course was located in the floodplain. Director Richter then moved that the Board approve the proposal as presented and, upon second by Director Gray, the motion was unanimously adopted. Director Richter stated that the District was still under-budget on the park project, overall.

Director Campbell then recommended that the Board table the report regarding the District signage and the related signage master plan, stating that the Signage Subcommittee would bring a report to the Board the following month.

Director Campbell stated that the Board would next receive the engineer's report and recognized Mr. Foster. Mr. Foster noted that his directives had already been reviewed. He presented the report attached as **Exhibit "Q"**, and stated that his firm's draft report on the

proposed pond maintenance plan would be on the agenda for the Board's February meeting. He stated that he had received minimal information from HNTB on the Wells Branch Parkway project, which had caused some issues with the City of Austin, which wanted as-built plans. He reported that his firm's study on the proposed bypass showed that wastewater flows were higher than anticipated, which probably made the project not feasible. He requested that the Board appoint a subcommittee to work with him and stated that he would then bring back a full report to the next Board meeting. He stated that the subcommittee could discuss other alternatives, such as improving the lift station. Director Richter suggested that she and Director Campbell serve on this subcommittee and the Board concurred. Mr. Anderson stated that he would like to be involved in these discussions and the Board agreed that Mr. Anderson should be included as well.

Director Campbell then stated that the Board would receive the bookkeeper's report and recognized Mr. Douthitt. Mr. Douthitt presented the updated cash activity report attached as **Exhibit "R"**. He called the Board's attention to the proposed check to replenish the manager's account. He stated that no draw from the park contractor had been received and that he had verified that one had not been submitted for the current month. Mr. Douthitt then reviewed the proposed transfers out of the park account, from the tax account into the operating account and from tax account into the debt service account to make bond payments, attached as **Exhibits "S"** through **"U"**, and also requested Board approval of the bond payments due March 1st on the District's 2001, 2002, 2003, 2004, 2006, 2007 and 2009 bonds, attached as **Exhibits "V"** through **"BB"**. He stated that the District's financials were in line with the budget. After discussion, Director Henderson moved approval of the payment of the bills and invoices, the transfers and the payments on the bonds, with the deletion of one per diem shown as payable to him, as he believed this was an overpayment. Upon second by Director Richter, the motion was unanimously adopted. Mr. Douthitt agreed to delete the additional per diem to Director Henderson, as requested.

Director Campbell stated that the Board would next receive the general manager's report and recognized Mr. Anderson. Mr. Anderson reported that the District had experienced a 2.16% water gain, and that all lab results were good. He stated that he had only two write-offs, as shown on **Exhibit "CC"**, and added that one was the amount that SWWC had reimbursed the District. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the write-offs.

Director Campbell then stated that the Board would receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield reviewed her directives from the prior meeting and then presented 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 Systems attached as **Exhibit "DD"**. She explained that this included some clarifications requested by Mr. Anderson, and also provided that the District would not accept personal checks from a customer who had paid by a dishonored check. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the amended rate order.

Ms. Littlefield then stated that the subcommittee, consisting of Directors Campbell and Richter, which had been working on the new Interlocal Agreement with Wells Branch Municipal Utility District was prepared to move forward with that agreement. She added that the subcommittee had requested some minor changes to the proposed draft after meeting with Wells

Branch's subcommittee, and that she expected the final document to be presented to the Board for approval at its next meeting.

Director Campbell then recognized Mr. Nias for purposes of receiving a report on the Village @ Northtown. Mr. Nias presented a schematic of the site on Wells Branch Parkway he had originally proposed as a site for a District office, noting that the developer's engineer had found that the site was encumbered by quite a few easements and that the building size would be limited to about 3600 square feet, which was about the size of the Board's current meeting place. He stated that he was providing the site plan for information, and added that the developer's engineer was present if the Board had questions. Director Campbell noted that he had reviewed the schematic and had some concerns that there would be no expansion option, but that his biggest concern was the shared parking proposed. He stated that he would like to be able to provide additional parking for park uses and added that, without knowing what would go into the retail use area, this could be problematic since, if a business that required substantial parking was located there, it could prevent sufficient parking for the Board meetings. Mr. Nias stated that he had also looked at the location for the 20-spot parking lot required to be provided by his client in the future, which he stated might be suitable for the District's purposes. Director Campbell responded that he would be interested in seeing what would be possible on that site, and advised Mr. Nias that the Board appreciated the effort he was making. Mr. Nias agreed to let his clients know that the Board was interested in looking at this alternative. He stated that he would also like to meet with Subcommittee on the proposed land plan amendments. Ms. Littlefield inquired if Village @ Northtown had developed a plan for the buffer between Settler's Meadow and the proposed new single-family area and Mr. Nias responded that his client would have a section of homes that would meet the same restrictions as Settler's Meadow between the smaller lot product and the adjoining area of Settler's Meadow. He provided copies of the proposed plan attached as **Exhibit "DD"** for the Board's review and agreed to provide electronic copies to Ms. Littlefield.

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

Date: _____.

(SEAL)

Scott M. Gray, Secretary
Board of Directors