

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

March 25, 2014

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 March 25, 2014, at the Wells Branch Tech Center, 1421 Wells Branch Parkway, Suite 106, Pflugerville, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the notice is attached as **Exhibit "A"**.

The following members of the Board, constituting a quorum, were present:

Robin Campbell	-	President
Felix T. Amaro, Jr.	-	Treasurer
Kathy Haught	-	Assistant Secretary

Director Brenda Richter and Director Alex Martinez were absent. Also present at the meeting were Mona Oliver, the District's on-site manager and covenant administrator; Robert Anderson of Crossroads Utility Services, LLC ("Crossroads"); Allen Douthitt of Bott & Douthitt, PLLC; Deputy Keith Kinnard of the Travis County Sheriff's Department; Richard Fadal of TexaScapes, Inc.; Scott Foster of 360 Professional Services, Inc.; Alan Rivaldo, Lupe Serna, Hamid Dineri and Rogelio Pelagio, residents of the District; Jeff Novosad of TCB Construction, Inc.; Trevor Stokes of Fire Department #4137; Cheryl Allen of Public Finance Group LLC; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Campbell called the meeting to order at 5:45 p.m. and asked if there were any residents present who wished to address the Board. There being none, Director Campbell recognized Mr. Stokes, who stated that he wanted to discuss proposals to generate more funding for the fire department, such as increasing the sales tax. He stated that he would like to educate the Board and District residents on the fire department's operations. Director Amaro stated that he had noticed the fire department's personnel in the District quite a bit. Director Haught asked about the different levels of training required for emergency services personnel versus firefighters. Mr. Stokes described the training required for each position. Director Campbell asked if the fire department was already receiving a portion of the residents' property taxes and Mr. Stokes responded that it was. Mr. Stokes advised the Board that he was available any time for further discussion and that he would provide Ms. Oliver with his contact information.

At this time, Ms. Serna, Mr. Dineri and Mr. Pelagio arrived at the meeting. Director Campbell asked them if they wished to address the Board and Ms. Serna introduced herself, Mr. Dineri and Mr. Pelagio as members of the Wildflower Homeowners' Association ("HOA"). Mr. Dineri addressed the Board regarding his concerns about the prevalence of drugs in the Wildflower subdivision. He stated that he

was an original owner who had lived in the District for 16 years and explained that many of his neighbors were nervous regarding possible drug trafficking. Director Campbell asked if Mr. Dineri had met Deputy Kinnard and he responded that he had not. Director Campbell then introduced Deputy Kinnard who explained his role in providing security within the District. He recommended that Mr. Dineri speak with Deputy Kinnard about the issue. Deputy Kinnard explained that resident complaints could be kept anonymous. Mr. Dineri thanked the Board for the information.

Director Campbell stated that the Board would next consider approving the minutes of the February 25, 2014 Board meeting. Upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to approve the minutes.

Director Campbell then stated that the Board would next discuss scheduling a work session or special meeting on solid waste and recycling services. Director Campbell confirmed that this special meeting was scheduled for 5:45 p.m. on April 8, 2014.

Director Campbell stated that the Board would next discuss the drought and drought management. Ms. Littlefield called the Board's attention to the notice from the Texas Commission on Environmental Quality ("TCEQ") attached as **Exhibit "B"**.

Director Campbell then stated that the Board would next discuss financial advisory services and recognized Ms. Allen. Ms. Allen presented the letter attached as **Exhibit "C"**, noting that she was no longer with Southwest Securities and had formed a new firm. She reviewed the scope of services she had historically provided to the District and reported that, in January, it had been announced that one of Southwest Securities' board members wanted to buy the remaining stock in the company, and then merge Southwest Securities with First Southwest Company, which was currently a competitor. Ms. Allen explained that she also understood that the Federal Securities Board intended to impose a restriction on broker dealers—such as Southwest Securities—which would prohibit the company from providing both sales and public finance services. She stated that, after reviewing all of her options, she had decided to form her own company and that she was present to request that the District move its financial advisory contract to her new company, Public Finance Group. She explained that the personnel who had provided services to the District in the past would continue to provide those services and added that her company was fully licensed and registered. Director Campbell stated that, as with Mr. Foster, the District had a habit of following the talent and this was his preference in this case as well. Director Campbell inquired whether there was a bond refunding in process and Ms. Allen confirmed that there was, but stated that this refunding would not be affected by the change. Ms. Littlefield explained the existing contract had a 30-day termination clause and a fee was only due if the District had a bond issue out for bid, which the District did not. She also explained that, at her request, Ms. Allen had agreed to add a provision to the contract indemnifying the District from any claims for fees by Southwest Securities. Director Amaro stated that he felt this change would be in the best interest of the District's residents. Director Amaro then moved that the Board send notice of termination of the contract with Southwest Securities and enter into a new contract for financial advisory services with Ms. Allen's new company. Upon second by Director Haught, the motion

was unanimously adopted. Ms. Allen confirmed that she would continue to monitor the potential for a refunding, but added that the savings were just not there yet. She also advised the Board that KB Home had contacted her about proceeding with a bond issue or the use of surplus funds for reimbursement, and stated that she would coordinate with Mr. Douthitt and Mr. Foster to evaluate this once the cost of the force main project was quantified.

Director Campbell then recognized Deputy Kinnard for purposes of receiving the District's security report. Deputy Kinnard reported that it had been an active month, but three suspects had been identified in connection with recent theft activity. Deputy Kinnard stated that he and the criminal investigations division had developed a plan to coordinate information. He stated that the patrols were saturating the District and observing the suspects' houses. Director Amaro then moved approval of the payments to the Sheriff's deputies shown on **Exhibit "D"**. Upon second by Director Haught, the motion was unanimously adopted.

Director Campbell then recognized Mr. Fadal for purposes of receiving the landscape maintenance report. Mr. Fadal presented the plant of the month, Texas Bluebonnet. He stated that the plant was the State flower and that the accurate designation had only occurred in 1977, when all five species of Bluebonnets were named as the State flower. Mr. Fadal stated that he expected a variable wildflower display this year depending on the amount of water received. He then reported that his crews had completed all winter tasks and were getting ready for spring, which was a little late due to the fact that it was drier and because of the recent "northers". Mr. Anderson reported that TexaScapes' crews had done an excellent job restoring the yards that had been affected by the repair of the force main break.

Director Campbell stated that the Board would next receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver stated that she would be organizing all of the homeland security information and getting it to Ms. Melton. She reported that the Restrictive Covenant Subcommittee had authorized suit for a trailer at an address that was already the subject of a covenant suit.

Director Campbell then recognized Mr. Foster for purposes of receiving the engineer's report. Mr. Foster reported that there had been no status change on the first three projects listed on his report, attached as **Exhibit "E"**. Mr. Foster stated that the work previously authorized by the Board relating to the District's MS4 permit was in process and would be completed by the deadline. He reported that, after a good prebid meeting on the force main project, the District had received no bids on the project. Mr. Foster stated that this had come as a great surprise and explained that the recurring theme from the contractors he had followed up with was that they were too busy. He noted that the Subcommittee had elected to remove several alternate items that had somewhat complicated the project, noting that these related to the East Lift Station and might not be comparable enough. He stated that he was evaluating the market and the bid documents to determine if the project could be advertised for a possible April or May award. Upon motion by Director Amaro and second by Director Campbell, the Board voted unanimously to authorize the Subcommittee to fine-tune the bid documents and re-advertise. Mr. Foster then reported that three bids had been received on the trail restoration project that had been bid March 11, 2014 and reviewed the bid tabulation attached as **Exhibit "F"**. Mr. Foster stated that he had received additional

qualification information and that the Parks Subcommittee recommended award of the contract to the low bidder, TCB Construction. Director Campbell advised Mr. Novosad that the Board was not flexible about bidding errors and would expect the work to be completed for the amount bid. Mr. Novosad stated that he would stand by his bid. Upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to approve the award of the contract to TCB Construction, as recommended.

Director Campbell then recognized Mr. Douthitt, who presented the updated bookkeeping report attached as **Exhibit “D”**. He reviewed the funds transfers he was recommending for approval as summarized on page one of his report. He noted that he had set up two TexPool accounts to hold the fiscal security received from Village@Northtown. Mr. Douthitt confirmed that he had reviewed the District’s invoices with Director Amaro, as the Board’s representative, and called the Board’s attention to the additional invoices that had been added to the check register since the date of the invoice review. He noted that the per diems to Directors Martinez and Richter would need to be voided due to their absence. Mr. Douthitt then reviewed the payments that had been made out of the manager’s account since the last meeting, noting that these were largely for utilities and deposit refunds for the past month. He reported that the District was currently ahead of plan due to delays in several budgeted projects. Upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the payment of the bills and invoices and transfers, as recommended, with the exception of the payments to the Sheriff’s deputies previously approved.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager’s report. Mr. Anderson reviewed his report, attached as **Exhibit “G”**, noting that the District currently had 2,920 active single-family connections. He stated that the District had a reported 13.65% water loss and that all water test results were satisfactory. He requested approval of the write-offs attached as **Exhibit “H”**. Director Amaro inquired if the larger write-off was one of the larger deposit accounts and Mr. Anderson stated that he doubted that this was the case. Upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to approve the write-offs. Mr. Anderson recommended approval of the agreement with Holt Power Systems attached as **Exhibit “I”**, for a year of additional maintenance service for the generator at Lift Station No. 1. Mr. Anderson then reminded the Board that there had been a concern expressed by the City about hydrogen sulfide levels and explained that the new chemical that was being used to address this had been working very well except during the recent force main breaks. He noted that Crossroads was keeping an odor log and that the City had agreed that the chemical was working well. Mr. Anderson stated that the downside was that a lot of this chemical was required and the holding tank at Lift Station No. 1 was very small. He recommended approval of installation of a larger tank, noting that Crossroads had received a bid from the chemical company for \$21,000, which he felt was too high. He requested authorization to obtain proposals and proceed with the work at a cost not to exceed \$20,000. Director Amaro moved that the Board authorize him to do so. Upon second by Director Haught, the motion was unanimously adopted. Director Amaro then moved approval of the maintenance agreement with Holt Power Systems and, upon second by Director Haught, the motion was unanimously adopted.

Director Campbell stated that the Board would next discuss the District's Identity Theft Prevention Program. Mr. Anderson reminded the Board that the District's Identity Theft Prevention Program was required to be reviewed by the Board on an annual basis. He noted that he was required to report on the effectiveness of the program and stated that no incidents of identity theft had occurred, the program was effective, and no revisions to the program were recommended. Ms. Littlefield then presented the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "J"**. After discussion, upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to approve the Resolution.

Director Campbell then stated that the Board would discuss personnel matters. Director Amaro stated that the subcommittee had not been able to meet and requested that the item on Ms. Oliver's salary adjustment be carried forward to the special meeting.

Ms. Littlefield then explained that the District was unable to maintain the alleyways in Wildflower Subdivision because they were private property and reviewed some of the history related to the alleys. Ms. Serna stated that the HOA was trying to stress this to the homeowners, but that there were some issues where the HOA needed some assistance. She stated that there was a pile of trash from when the Heatherwilde fence was constructed and it had never been cleaned up. She also reported some residents had been building sheds without approval. The Board agreed that it would assist by sending notices of violations regarding any construction that the HOA had not approved, as long as a letter was sent by the HOA notifying the resident of the non-compliance and a copy was provided to the District. Ms. Oliver agreed to research the fence debris.

Director Campbell stated that the City of Austin's wholesale water and wastewater rates and the joint rate challenge was continuing and that a mediation was scheduled.

There being no developers' or landowners' reports and no further business to come before the Board, upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to adjourn.

Date: _____.

(SEAL)

Alex Martinez, Secretary
Board of Directors