

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

August 24, 2010

THE STATE OF TEXAS           §  
  §  
COUNTY OF TRAVIS           §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on August 24, 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	-	Assistant Secretary
Alex Martinez	-	Secretary

and all of the Directors were present, except Director Richter, who arrived later, thus constituting a quorum. Also present at the meeting were Jesse Kennis of Wells Branch Municipal Utility District; Robert Anderson and Steve Held of Crossroads Utility Services, LLC ("Crossroads"); Allen Douthitt of Bott & Douthitt, P.L.L.C.; Scott Foster and Michael DeMotte of Kimley-Horn & Associates, Inc.; Deputy Keith Kinnard of the Travis County Sheriff's Department; Richard Fadal of TexaScapes, Inc.; Crystal Kaylakie of Southwest Securities; Jay Howard of Texas Disposal Services, Inc.; Mr. Rivaldo and Mr. Hill, residents of the District, and Sue Brooks Littlefield of Armbrust & Brown, PLLC. Ronnie Stafford of TBG Partners and Jim Nias and Katherine Loayza, representing Village@Northtown, Ltd., arrived later.

Director Campbell called the meeting to order at 5:45 p.m. and stated that the Board would first consider approving the consent items on the Board's meeting agenda: the minutes of the July 19 and July 27, 2010 Board meetings and the Resolution Authorizing Application to the City of Austin for Approval of Proposed Unlimited Tax and Revenue Refunding Bonds, Series 2010, attached as **Exhibit "B"**. Upon motion by Director Henderson and second by Director Martinez, the Board voted unanimously to approve the consent items.

Director Campbell then stated that the Board would receive residents' communications and Board member announcements. Mr. Hill requested that the District's budgets be posted on the website. He also requested that, when possible, the exhibits be attached to the minutes in PDF format, so residents would have access to the exhibits. Director Campbell explained that most of the exhibits were scanned and were not PDF documents, which created difficulties in posting them, but stated that he

believed those which were in PDF format could be provided. Director Campbell added that the website was intended to allow residents to have a simple means of access, but there were other ways to obtain additional documents, such as by making a request through the District's attorney's office. Ms. Littlefield agreed to provide a PDF of the 2010-2011 budget for posting on the website, once it was adopted.

Deputy Kinnard reported that there had been a dramatic decrease in criminal activity in the parks, which he felt related to the increased patrol hours. He stated that he had received a lot of positive feedback from the residents and the park maintenance staff. Deputy Kinnard also stated that he had received positive feedback from the homeowners association for the Parkside Condominiums in response to his effort to address the problem with abandoned vehicles. He stated that the parks looked beautiful and many residents were coming out and enjoying them. Director Gray inquired if Deputy Kinnard was basing his report of decreased criminal activity on statistics and Deputy Kinnard stated that he was, noting that both crimes against persons and burglaries of vehicles and residences were down. He added that the data he received from the Sheriff's Department was a month late and that he had to extrapolate the data from the reports because the District was not a single reporting precinct. Deputy Kinnard noted that criminal activity in the County overall had increased during the same time period. At this time, Director Richter arrived at the meeting and remarked that crime was apparently up across the State. Deputy Kinnard confirmed that this was the case. Director Richter thanked Deputy Kinnard and the other deputies for their work in the District. The Board then discussed the patrol levels for the next month and confirmed that it wished to maintain the increased patrol levels for at least another month. Director Martinez stated that the deputies were doing a good job and that he had observed them not only driving the District, but also getting out of their vehicles and walking the parks. Deputy Kinnard stated that this was the best group of deputies he had worked with. 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 set forth on the cash activity report attached as **Exhibit "C"**.

Director Campbell then recognized Mr. Howard, who presented the quarterly report from the District's solid waste contractor attached as **Exhibit "D"**. Director Richter asked about the cause of the missed pick-ups noted on the report. Mr. Howard explained that it could either be due to customer error or driver error, but that his company was in the process of implementing a tracking system to document the pick-ups. Director Richter inquired as to Texas Disposal System's response if the driver missed a pick-up. Mr. Howard stated that the standard protocol was for the driver to go back, if he was still in the neighborhood, or to return the next day, if the missed pick-up was called in later. He confirmed that it was his company's normal protocol to return for the pick-up and not make the customer wait until the next collection day. Director Campbell noted that one customer had asked about how they stopped their service and asked how this was responded to. Mr. Howard stated that he would research the answer. The Board agreed that it liked the new report format that had been provided.

Director Campbell stated that the Board would next receive a report under the Interlocal Agreement with Wells Branch Municipal Utility District and recognized Mr. Kennis. Mr. Kennis advised the Board that there had not been a lot of activity the prior month, but that he had received the fencing materials for the Parkway pond and the

rock gabion materials. He stated that the debris left over from the mulch fire needed to be removed and requested authorization to rent a backhoe and trailer. Director Richter stated that she and Director Campbell had originally authorized removal of the mulch debris as an emergency item, but that, since the permanent fix had been delayed, she had asked Mr. Kennis to bring the request to the Board. Director Richter moved that the Board authorize the rental of a backhoe and trailer at a cost not to exceed \$1,200 and, upon second by Director Martinez, the Board voted unanimously to do so.

Mr. Kennis confirmed that the remaining debris at 123 Star Flower had been removed and that the violation at this address was now resolved.

Director Campbell then recognized Mr. Fadal for purposes of receiving a report from the landscape maintenance contractor. Mr. Fadal stated that park maintenance was on schedule. Director Richter stated that the parks looked beautiful and thanked Mr. Fadal for his work with the park contractor to resolve the revegetation issues around the new parking lot. Mr. Fadal then presented the proposals attached as **Exhibits “E”** and **“F”**, noting that the area around the parking lot and two areas near the soccer fields had been revegetated by the contractor, but that the soils were not of a consistent quality. He explained that his crews would mark all of the irrigation heads, and then bring in a piece of equipment to aerate and add fertilizer and organic material, which would start bringing the turf area up to the desired standard. Director Richter stated that this was one of the areas that had not been specified in as much detail as it could have been when the park project was bid, and that these proposals would bring the fields to the desired level for play. Director Richter moved approval of the two proposals and Director Henderson seconded the motion. Director Gray asked what benefit would be provided by doing this work. Mr. Fadal explained that it had been very difficult to revegetate the area around the parking lot because of the poor soil quality, and that this work would improve the ground, as well as fill in the areas as necessary and make it smooth, which would allow better grass coverage. Director Richter stated that this work had been included in the bids for the pavilion, since they had learned from the prior project. Mr. Fadal stated that there was enough time left in the growing season to allow grass growth while it was still warm. Upon being put to a vote, the motion was unanimously adopted.

Director Campbell then stated that the Board would receive a report from the District engineer and recognized Mr. Foster. Mr. Foster stated that his directives from the previous meeting had been completed. Ms. Littlefield explained that she had reviewed the covenants and plats for Lakes at Northtown, Section 1, and it appeared that the City intended for the homeowners’ association, and not the District, to maintain the ponds. She reminded the Board that a similar problem had been experienced in connection with the Tech Ridge ponds, and noted that the Lakes at Northtown, Section 1 pond was part of a larger homeowners’ association lot. She expressed concern that the documents that had been recorded did not give the District the right to enforce the maintenance requirement. After discussion, the Board directed Ms. Littlefield and Mr. Foster to obtain enforcement powers to assure maintenance of the pond before the pond capacity was accepted.

Mr. Foster then explained that two wells were proposed for Stoney Creek Park to provide fill water for the on-stream reservoirs under the permit from the Texas

Commission on Environmental Quality. He stated that the design team had some concerns regarding the water well capacity and asked for authority to bid two different projects in order to verify well capacity before proceeding with the bidding of the well construction itself, since the quantity of well water would affect what facilities were required, including storage. He reviewed the memorandum from Mr. Stafford on this issue, attached as **Exhibit “G”**. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to authorize Kimley-Horn to proceed with the bidding project as recommended, at a cost not to exceed \$2,500.

Mr. Foster then reviewed the chart relating to implementation of the wet pond maintenance plan, attached as **Exhibit “H”**. He noted that the higher rankings indicated the ponds that needed the most work and asked for direction from the Board on how it wished to proceed and what amount should be included in the budget for undertaking this process. Director Richter stated that she felt that all of the projected costs should be included in the budget so the ultimate expenditure could be planned for, but noted that the work could be completed in phases. Director Campbell pointed out that, based on Mr. Foster’s summary, most of the ponds needed some level of maintenance and this summary would allow the District to prioritize its efforts.

Mr. Foster then advised the Board that the McCallen Pass/Heatherwilde Boulevard fence project was under construction and completion was anticipated prior to the next Board meeting. He explained that he had received a question regarding the location of the fence and, in response, had instructed the contractor to move the fence out slightly in order to balance the Wildflower entry feature. He stated that there would be a change order submitted by the contractor to cover this additional cost. Director Campbell reminded the Board that the location of the fence and where it would end had been discussed previously, and the determination had been made at the time of that prior discussion that the fence needed to be balanced in appearance. He added that only a small change order was anticipated to address this aesthetic issue. Upon motion by Director Gray and second by Director Richter, the Board voted unanimously to approve a change order for the additional fence, based on the same square foot price and the additional linear feet.

Mr. Foster then presented the proposal for preparation of the annual report for the Third Permit Year of the District’s MS-4 permit attached as **Exhibit “I”**, noting that he would be working with the District’s operator and representatives of Wells Branch to complete the report that needed to be filed. Director Campbell inquired whether Jones-Heroy and Associates had been designated as the District’s representative in connection with the permit. Mr. Foster agreed to change the contact, if necessary. Director Richter moved approval of the proposal and, upon second by Director Henderson, the motion was unanimously adopted.

Mr. Foster then advised the Board that he would now be able to begin preparation of the proposed 2010 bond application and related engineering report, noting that the remaining questions related primarily to the low flow lift station and related project costs. He added that he expected to present the application at the next meeting.

Director Campbell then stated that the Board would discuss the wastewater master plan, including the Dessau Road force main repair and replacement project and service alternatives. Mr. Foster advised the Board that he and Mr. DeMotte had met with Director Martinez and Director Campbell after meeting with the City staff regarding the McCallen Pass interceptor. He noted that, at their meeting with the City, it had become apparent that the City did not have sufficient capacity to serve the flows from the low flow lift station as the Staff had been including some flows which were already being received from the District in the capacity figure that they had originally provided. He recommended, based on this, that the District re-consider using the existing force main. Mr. Foster proposed that, in conjunction with maintenance of an air release valve on the main, the District do some additional testing to verify the condition of the force main along Harris Ridge. He stated that, if the condition was acceptable, then he believed that, with minor upgrades and based on the revised District land plan, the force main would be sufficient to meet the needs of the District at build-out. Director Campbell summarized that, after looking at the alternatives, it had originally been determined by the District's engineer that the connection to the McCallen Pass interceptor would be the best alternative, but, after further investigation, it had been determined that there was not sufficient capacity to serve all of the District's needs. He stated that, based on the research which had previously been done on the condition of the line, it appeared that the line was in good enough condition to use and that the only significant improvements required would be to the lift station. Director Martinez added that, by combining the study with the valve work, the District would reduce the cost of the testing. Mr. DeMotte then advised the Board that the density in the Village @ Northtown had actually decreased, based on the last land plan change, which would reduce the flows to the low flow lift station and allow all of the flows to be moved down the pipe to the force main. He stated that, based on the research that had been done, they were fairly confident that the line failure was a localized issue and added that this additional test would be at the highest portion of the line, by the air release valve. He stated that, by excavating and doing an ultrasonic test, he would feel even more assured of the line's condition. Mr. DeMotte added that this would reduce the likely costs of the overall project to about \$500,000. Director Campbell noted that the Subcommittee had also discussed evaluating additional air valves further down Howard Lane to provide even more assurance, but, at the moment, only the one additional test was proposed. Director Martinez moved approval of the testing and, upon second by Director Henderson, the motion was unanimously adopted. Director Martinez inquired about the timing for considering evaluating additional data points. Mr. DeMotte recommended doing this after the results from the first test were received.

Director Campbell stated that the Board would next consider park development matters. Director Richter reported that she and Director Henderson would meet with Mr. Fadal to refine the park budget proposal for the next Board meeting. After discussion, she agreed to forward the park budget information to the Budget Subcommittee within the next two weeks. Mr. Foster recommended that the Board accept the Phase 2A park improvements for operation and maintenance and also recommended authorizing release of retainage, conditioned upon receipt of the required maintenance bond and payment of the contractor's outstanding water bill. He confirmed that he would do another walk-through of the park improvements prior to expiration of the maintenance bond in about a year to identify any warranty issues. Director Richter then moved that the District accept the project; authorize release of the

retainage, subject to satisfaction of the conditions outlined by Mr. Foster and authorize issuance of a check for the payment. Upon second by Director Gray, the motion was unanimously adopted. Director Richter thanked Mr. Foster and Mr. Fadal for their efforts in bringing the project to a successful conclusion.

Mr. Foster then stated that there was a preconstruction meeting scheduled for the pavilion project. Mr. Stafford advised the Board that G. Creek had been issued notice to proceed. Ms. Littlefield noted that she did not believe that the contractor had furnished proof of insurance as required, and reminded Mr. Stafford that this needed to be received before the contractor started work. Mr. Stafford stated that he understood the proof of insurance had been furnished, but would confirm that before work commenced.

Director Campbell stated that the Board would next discuss the District signage master plan. He reported that the Signage Subcommittee was working on identifying the locations for permanent signage, including possible locations along Olympic Drive. He reminded the Board that, previously, several residents had wanted the District to take over the maintenance of the strip of land along Olympic Drive, but the District had been unable to obtain easements from all of the residents, and it had been proposed as an “all or nothing” arrangement so the District would be able to consistently maintain the entire strip of land. Director Campbell asked Ms. Littlefield to provide him with an address map, because he was not able to tie the lot numbers to the street addresses. Ms. Littlefield agreed to do so. Director Gray stated that he would like to attempt to obtain the landscape easement again and Ms. Littlefield agreed to work with him on this project. Director Campbell stated that the Park Subcommittee would also be identifying the number and location of signs that it desired in the parks, so this information could be integrated into the budget for the signage project. Director Richter requested that the District’s consultants provide input on the signage recommended for the parks.

Director Campbell stated that the Board would next receive the bookkeeper’s report and recognized Mr. Douthitt. Mr. Douthitt distributed the updated cash activity report attached as **Exhibit “J”**. He called the Board’s attention to the payments which had been added to the report since the Board’s packet date. He pointed out that several chemical invoices had been received from SWWC which dated back to March. Director Gray asked if these could be validated. Mr. Anderson confirmed that the operator had signed off on these expenses. Mr. Douthitt suggested approving the payment, but holding release of the check pending approval by the Transition Subcommittee and the Board agreed. Mr. Douthitt stated that he had received the City of Austin’s invoice earlier in the day and that he had included it for payment. He also stated that he had received a corrected invoice from the City of Austin, although the credit was significantly larger than he had anticipated. Mr. Douthitt stated that he would confirm the credit with Lisa Martinez of the City of Austin. Mr. Douthitt then reviewed the manager’s checks written since the date of the last Board meeting and confirmed that he had double-checked all of the security deposit refunds. He requested approval of a transfer of \$10,500 to the manager’s account from the District’s operating account to replenish the manager’s account and requested approval to deposit the proceeds of a CD which had matured into a money market account with Treaty Oak Bank, since the account would earn better interest than a CD. Director Gray suggested that some additional research be done on the proposal. The rest of the Board indicated that it was

comfortable with depositing the funds into a money market account. Mr. Douthitt confirmed that he had received the check for the fiscal which had been released by the City of Austin. Upon motion by Director Henderson and second by Director Richter, the Board voted unanimously to approve the payments, fund transfers and deposit of the CD proceeds into a money market account as recommended.

Director Campbell stated that the Board would next receive the general manager's report and recognized Mr. Anderson. Mr. Anderson stated that Crossroads Utility Services appreciated the opportunity to serve as the District's manager. He stated that SWWS had been cooperating nicely and that there had been a few speed bumps, but no brick walls, encountered in the transition. He stated that SWWS had sent out an announcement of the change in management to the District's customers and that Crossroads had also hired someone to hang door tags to inform the customers. Mr. Anderson added that the change had also been posted on the District's website and included in the delinquent notices. He stated that there were still some customers who were unaware of the change. Mr. Anderson stated that one issue which had been encountered related to the change in credit card processing. Director Campbell stated that the credit card processing account used by Crossroads was not the same as the one formerly used by SWWS, and noted that there would be an early termination fee of \$350 incurred if the District terminated the processing account it was currently using. Mr. Held stated that the service fee for the new processing company had been waived, so the termination was pretty much of a "wash". He also reported that the new company would provide many additional services, including allowing customer payment by use of their home computer. He stated that he hoped to be able to implement this service before the winter-averaging period, but, if not, he would wait until after the winter-averaging period. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to authorize the negotiation, completion and execution by Director Campbell of a merchant application and card services agreement with related addendum with Global Payments and the termination of the current processing agreement with CyberSource, as well as payment of the early termination fee of \$350, with the understanding that notice of termination would not be sent to CyberSource until the transition to the new company was complete and all payments in the CyberSource system were processed.

Mr. Anderson then reported that the District had 2694 active connections and 2815 total connections. He stated that the current water loss was 1.09%. Mr. Anderson reviewed the write-offs attached as **Exhibit "K"**, noting that there was one write-off in the amount of \$1,095. He explained that the customer had paid his bill at the last minute for a few months and then ran up huge water bills before leaving the District. The Board discussed its concern about large write-offs and also requested information on the amounts ultimately collected from the collection agency. Mr. Douthitt agreed to provide the Board with a report showing the write-offs, as well as the amounts received through collections. Ms. Littlefield noted that this would allow tracking the write-offs and suggested that write-offs and the offsetting collections be included as an item on the budget, since this would be helpful information for the Board to have when discussing security deposit requirements and service termination procedures with residents. The Board agreed. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the write-offs as presented.

Director Campbell stated that the Board would next receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield reported on her directives from the prior meeting, noting that they had all been completed.

Director Campbell then pointed out that Mr. Held was the owner of the new management company, and introduced him to the residents present at the meeting. Mr. Hill inquired about the basis for the change in management. Director Campbell responded that the prior management company was changing its focus, but that there had also been service issues. He pointed out that Mr. Anderson, who was the District's manager with the prior company, had transitioned to the new company, which would provide continuity of service. The Board also noted that the charges for management services had not increased.

Director Campbell then stated that the Board would next discuss the 2010-2011 budget and 2010 tax rate. Ms. Kaylakie noted that the Board would not be establishing the District's tax rate at this meeting, but would be establishing a proposed tax rate and authorizing notice of the tax rate and the public hearing that would be held at the next Board meeting. Ms. Kaylakie presented the updated certified value, attached as **Exhibit "L"**, noting that the District's current assessed value was \$425,672,612. She pointed out that the average value of a home in the District had decreased by approximately \$5,000 from 2009. Ms. Kaylakie stated that her office was recommending maintaining the current \$0.75 tax rate, noting that the debt service portion would be \$0.4708, and that the operations and maintenance tax rate would be \$0.2792. She reviewed the tax rate analysis attached as **Exhibit "M"**, and discussed the growth projections, based on 21 houses in 2010, 25 in 2011 and 26 in 2011, which would result in full build-out of all lots on the ground. She called the Board's attention to the form of notice that was required to be published. Director Campbell noted that it was the Board's intention to maintain a level tax rate, and that this would be the goal in developing the budget for the upcoming year. He noted that, as a result of the decline in taxable values, he anticipated that many other taxing jurisdictions would be increasing their tax rates. Mr. Douthitt then presented the draft budget attached as **Exhibit "N"**, noting that this draft was not complete, but was based on historical information. He stated that he had highlighted areas that needed particular attention by the Board. Mr. Douthitt pointed out that the District's residents had used less water than projected in the current fiscal year, and stated that he had used the City of Austin's winter average for the District to project wastewater expenses. He noted that the City of Austin was increasing its wholesale water and wastewater rates in November, which he had projected going forward. He also pointed out that the District had reduced its water loss for the current fiscal year, which had allowed him to reduce the cost of water lost in the draft budget. Mr. Douthitt stated that he had projected tax revenues based on Ms. Kaylakie's projections. Director Richter asked whether Mr. Douthitt could provide the revenue stream from the park fees collected. He responded that he did not have the information in report format at the present time, but would work on assembling a report. Ms. Littlefield stated that it was her recollection was that the original projection of the amount to be funded from park contributions and the park fee, based on the District's consent agreement with the City of Austin, was \$1.7 million. Director Richter stated this was more for purposes of understanding this revenue stream and the Board agreed that its intention was to use these funds for park capital projects. Director Gray recommended that no transfer from the general fund to the park fund be made for the

upcoming fiscal year, since the park budget still had funds available for the projects which had been identified by the Board. Mr. Douthitt pointed out that the draft budget did assume a deficit at the end of the fiscal year. Ms. Littlefield reviewed the proposed action items to establish the proposed tax rate and call the public hearing. Director Gray then moved that the Board establish a proposed tax rate of \$0.75 per \$100 assessed valuation. Upon second by Director Martinez, the motion was adopted with Directors Campbell, Richter, Martinez, Henderson and Gray present and voting “yes”. Director Richter then moved that the Board schedule a public hearing for 5:45 p.m. on September 28<sup>th</sup> and authorize notice of the public hearing as required by law. Upon second by Director Henderson, the motion was unanimously adopted.

Ms. Kaylakie then reported that the potential savings from the proposed bond refunding had improved, and that her company was projecting about \$318,000 in savings. She stated that the City staff had had no questions and that approval of the refunding was on City Council agenda for September 23<sup>rd</sup>. Ms. Kaylakie indicated that, once her office received City approval, they could move forward with pricing and sale of the refunding bonds.

Director Campbell stated that the Board would next receive reports from developers’ and landowners’ representatives. Mr. Nias stated that the land plan changes approved by the Board in May had been approved by the City of Austin and presented the update land plan attached as **Exhibit “O”**. He also requested Board approval of a further land plan change to provide a 12.53 acre school tract. He stated that the property was under contract to Pflugerville Independent School District and that he felt optimistic that they would close. Mr. Nias reported that the school district had an ambitious plan to move forward with the construction of an elementary school on the site by the next year. Director Richter then moved approval of the Resolution Authorizing Change in Land-Use Plan Contingent Upon Consent of the City of Austin attached as **Exhibit “P”**, and the negotiation and execution of any related easements and use agreements acceptable to the Subcommittee consisting of Directors Campbell and Martinez. Director Henderson seconded the motion. Director Campbell stated that the Subcommittee had met with Mr. Nias and received answers to all of its questions regarding the plan and was satisfied. Upon being put to a vote, the motion was adopted unanimously.

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

(SEAL)

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Alex Martinez, Secretary  
Board of Directors