

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

August 25, 2015

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 August 25, 2015, 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 were present, constituting a quorum:

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

Director Robin Campbell was 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; Richard Fadal of TexaScapes, Inc.; Deputy Oscar Gonzales of the Travis County Sheriff's Department; Mark Vrabil, Lee Hill, Robin D. Hood, Xavier Ibarra, Lupe Serna, Roberto Macias, Rogelio Pelagio and Jennifer Schmidt, residents of the District; Linda Loup of Public Finance Group, LLC; Ray Bryant and Julio Castellero of Texas Disposal Systems ("TDS"); and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Richter called the meeting to order at 5:45 p.m. and noted that she understood that there was a group of residents from Wildflower present who wished to speak. She requested that all residents who wished to address the Board sign in on the District's sign-in sheet. Director Richter explained that the District was a governmental entity and, because there was nothing on the agenda that allowed the Board to take any action regarding the Wildflower Homeowner's Association ("HOA"), it was unlikely any action could be taken at this meeting. She added that the Board also had a full meeting agenda and so the time each resident was permitted to speak was limited to three minutes. Ms. Serna then advised the Board that there had been a special HOA meeting the previous night and that the residents had voted to terminate the HOA entirely. She asked what the District would do if the residents gathered a petition to dissolve the HOA and added that the signatures of 80% of the members would be required to dissolve the HOA. Ms. Serna stated that she had worked hard and felt that no one appreciated it. Ms. Hood then addressed the Board and stated that the HOA meeting did occur and that there were some expensive problems that needed to be addressed. She stated that the residents needed some guidance because they hoped the parking restrictions would stay in place and added that there were some safety issues that needed to be addressed, as well as lighting. She noted that she had inquired about the lighting because the location

in question was on District property and she would like this light to be added to address a safety issue. Director Richter requested that the HOA's issues be placed on the next meeting agenda for discussion and encouraged the residents to attend the next Board meeting. Mr. Ibarra then addressed the Board and stated that, as far as timing went, the annual HOA elections would occur before the next Board meeting.

Mr. Hill then addressed the Board and stated that, when the Board went into executive session, the presiding officer was always clear that no action was taken in executive session, as those were not public meetings. He added that he understood that there were times when subcommittees were charged with authority to make a decision and noted that he was troubled that there was a situation recently when a subcommittee took action that affected his yard. Mr. Hill stated that the District's engineer was correct that the pond didn't need landscaping, just a fence, but that was just the engineer's perspective. He stated that the vines on the fence by the pond across from his home had not been watered in 2015 and had not been trimmed, and there was weight on the fence as a result, but not enough weight to bring down a metal fence. Mr. Hill noted that, when the fence was affected, there were high winds that took down many fences and fence posts and stated that the cause of the damage was the wind, not the weight of the vines. He stated that the most recent trimming was the second "scalping" to the vines that had occurred recently and added that plants needed leaves to survive and the decision to cut the vines could have waited for the Board to take action in an open forum. Mr. Hill stated that, unless the Board authorized something in an open Board meeting, then, other than health and safety items, nothing should be acted on between meetings. He stated that the vines were not a health and safety issue and that action had been taken too quickly without a public forum and he did not appreciate it. Director Richter thanked Mr. Hill for his comments.

Director Richter then stated that the Board would discuss the District's \$5,635,000 Unlimited Tax and Revenue Refunding Bonds, Series 2015, and recognized Ms. Loup. Ms. Loup presented the refunding analysis attached as **Exhibit "B"** and explained that a 4.27% savings had been initially projected, but that it had been lost due to timing. She stated that the savings threshold had been reached again in July and the District had achieved a 5.09% savings. She called the Board's attention to the cumulative savings of over \$1 million in debt service costs realized by the District through its bond refundings. Mr. Douthitt stated that he had received a revised invoice for the bond issue that had been partially refunded that he would present under his report. The Board then discussed the engagement letter with BLX Group for arbitrage rebate compliance services attached as **Exhibit "C"**. After discussion, upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approve the engagement letter.

Director Richter stated that the Board would next discuss the District's 2015-2016 budget and 2015 tax rate. Ms. Loup explained that the District still did not have a certified appraised value, but had received an updated preliminary assessed value, attached as **Exhibit "D"**. She reminded the Board that the tax process was a two-step process and that this meeting would allow the Board to review its financial information and set a proposed tax rate and the public hearing on the tax rate would be held at the next Board meeting. She recommended that a slightly lower overall tax rate of \$0.7220

be established as the proposed tax rate. Mr. Douthitt then reviewed the draft budget attached as **Exhibit “E”** and explained that the Budget Subcommittee still needed to meet to review the proposed budget in greater detail. He explained that the utility rate revenues and expenses included in the draft budget were based on the higher wholesale rates set by the City of Austin rather than the 2012 wholesale rates that had been recommended by the Administrative Law Judge in connection with the rate case. He pointed out that, based on the preliminary assessed value, the District had about a \$50 Million increase in overall appraised value. Director Richter stated that the District’s rate case legal counsel recommended including an allowance in the budget in case the City appealed the Public Utility Commission (“*PUC*”) ruling in the rate appeal. Ms. Loup then reviewed the cash flow for the debt service fund and the draft notice of public hearing included in her report, attached as **Exhibit “F”**, and pointed out that there had been an increase in the value of the average home in the District. She noted that the District could adopt a lower rate than the rate that was published, but that the proposed rate that was published would be the highest rate allowed. Mr. Douthitt explained that the Board was being requested to establish a proposed tax rate of \$0.7220 per \$100 assessed valuation, as recommended by Ms. Loup. Upon motion by Director Amaro and second by Director Capers, the Board voted to adopt a proposed tax rate of \$0.7220 per \$100 assessed valuation, to schedule a public hearing on the tax rate for September 22, 2015 at 5:45 p.m., and to authorize Ms. Littlefield to publish notice of the public hearing, with Directors Richter, Amaro, Haught and Capers present and voting “aye” and Director Campbell absent and not voting.

Director Richter stated that the Board would next consider approving the consent items on the Board’s meeting agenda: the minutes of the July 28, 2015 Board meeting and the Sixth Extension to the Interlocal Agreement between Northtown Municipal Utility District and the City of Austin relating to solid waste and recycling services for the Lakes at Tech Ridge Development attached as **Exhibit “G”**. Upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approve the consent items.

Director Richter then stated that the Board would receive the District’s security report. Deputy Gonzales reported that there had been just one burglary of a residence in July and that he felt good about this since it was summer and kids were out of school. He stated that there had been some criminal mischief and burglaries of vehicles and one auto theft. Deputy Gonzales pointed out that the Sheriff’s Department could not tow vehicles from private property, i.e the Wildflower alley, and stated that he wished to advise the Board of this for its consideration in connection with the HOA matter. Director Amaro then reported on plans for the District’s National Night Out event, and distributed copies of a K-9 card with some information on Deputy Gonzales’ canine partner, Bobek. Deputy Gonzales reported that all of the members of the canine unit had signed up to attend the District’s National Night Out event. Ms. Oliver stated that she was working on arranging multiple helicopters to be present also. Director Amaro stated that other groups would also be represented. Ms. Oliver stated that there would also be an opportunity for residents to have their cars etched with VIN IDs. She stated that the Scouts would be present, as well as the school band and a choir, and that it would be a nice event.

Director Richter then stated that the Board would receive the landscape maintenance report and recognized Mr. Fadal. Mr. Fadal presented the plant of the month, American Beautyberry, noting that it was a native plant, and called the Board's attention to the berries that covered the branches beginning in the Fall. He reported there were still some issues with the District's irrigation system and that he had had two troubleshooting sessions with Ewing Irrigation, the system was functioning currently, and he was hopeful that all problems had been fixed. He stated that there had been some shorted-out wires. Mr. Fadal noted that his crews were doing some manual watering and that some plantings were stressed, but stated that he didn't think much had been lost while the system was down. He reported that an additional irrigation zone had been extended to the new District storage building and the sod was rooted and stabilized. He then reviewed the landscape maintenance report, attached as **Exhibit "H"**.

Director Richter stated that the Board would next receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver reviewed her monthly report, attached as **Exhibit "I"**, with the Board. She stated that she had notified Ms. Serna about the surveying of the park boundary adjacent to Wildflower as directed. She noted that the monthly report, covenant report and expense report were in the packet. Ms. Oliver then reviewed the purchase request attached as **Exhibit "J"**, requesting to have the internet at the pavilion hard wired in, noting that Clear Choice had been purchased by Sprint and Sprint would not provide the prior service. She stated that, with Deputy Gonzales' assistance, Time Warner had agreed to run the cables necessary to provide the service for the security cameras at the pavilion. Ms. Oliver added that either speed proposed was faster than what the District currently had. Director Amaro stated that, generally, people upgraded to the next level and wondered if the District would have to wait to upgrade if the higher grade of service wasn't selected initially. Deputy Gonzales stated that Time Warner used a filter to slow down the speed, and the line required to upgrade would be there. Director Richter emphasized that it was a three-year contract. Upon motion by Director Haught and second by Director Caper the Board voted unanimously to authorize the Security Subcommittee to work with Ms. Oliver to make a decision on the option selected, at a cost of up to \$110 per month.

Ms. Oliver then presented the proposal for the purchase of a multitask trail dragger/groomer attached as **Exhibit "K"**. Director Richter spoke in favor of the purchase and stated that the Park Subcommittee recommended it. Upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the proposal.

Ms. Oliver then presented the proposal for double grind playground mulch and a one week rental of a skid loader attached as **Exhibit "L"**. Director Amaro asked if the subcommittee had considered synthetic mulch. After discussion, upon motion by Director Richter and second by Director Haught, the Board voted unanimously to approve the proposal.

Director Richter stated that the Board would next discuss recycling and solid waste disposal services. Director Richter recognized Mr. Bryant, who noted that he was the primary TDS contact for the District. He introduced Mr. Castellero and explained

that Mr. Castellero was the primary supervisor on the District's route. Mr. Bryant noted that the Board had expressed a concern about the District's having no one to contact at TDS after noon on Saturdays. He stated that TDS was looking into having an individual who lived in the area be available between noon and 5:00 p.m. on Saturdays in case there were any missed pick ups on Saturday. He stated that this individual would also be given a dedicated line and that TDS would send a postcard out to all of the residents with his contact information. Mr. Bryant stated that he would provide this information to the Solid Waste Subcommittee. Ms. Oliver stated that this information would also be placed on the District's website. Director Haught stated that she felt this would give the residents a safety net.

Director Richter stated that there were no park matters to be brought to the Board.

Director Richter stated that the Board would next receive the engineer's report and recognized Mr. Foster. Mr. Foster stated that the District had received a notice of violation from the City of Austin relating to the condition of a pond and added that most of the issues had been addressed prior to receipt of the notice, but the notice had been taken seriously. He explained that he had met with Mr. Fadal and Ms. Oliver's staff and all issues had been resolved within about a week. Mr. Foster stated that he had not yet received confirmation from the City that all issues had been cleared, but he believed that they had. He then reported that, in connection with the District's MS4 permit, he had inspected all of the ponds and identified areas where repairs and maintenance were needed. Mr. Foster stated that, if there were any budget items, they would be brought back to the Board. Director Haught expressed concern at the City staff's lack of confirmation that the District had addressed all of the issues. Mr. Foster stated that he hoped that would occur before the end of the month. Director Richter stated that she appreciated the quick response, but noted that, even in flood conditions, the focus couldn't just be on securing the parks, but the District also had statutory obligations that needed to be met. Mr. Hill noted that, when ponds were next to a residential area, there were often things growing between the fences and the Board should ask the maintenance staff to pay special attention to areas where invasive plants were growing up between District fences and adjacent residential fences. Mr. Foster then presented Pay Estimate No. 2 for the 50-acre park storage building in the amount of \$26,910.90, attached as **Exhibit "M"**, and recommend approval. He also recommended that the storage building be accepted for ownership and maintenance, and stated that the building looked very nice. Upon motion by Director Haught and second by Director Amaro, the Board voted unanimously to approve the Pay Estimate and accept the project. Mr. Foster stated that there would be a final pay estimate, including release of retainage, presented at the September Board meeting. Mr. Foster then reported that he had received four bids for the trail maintenance project, and presented the bid tabulation attached as **Exhibit "N"**. He noted that the low bidder was TCB Construction, which had done the prior trail maintenance project as well as the storage building, and added that this company did good work. He recommended award of the contract to the low bidder. Director Haught moved that the Board approve the award of the contract to the low bidder, TCB Construction. Director Capers seconded the motion. Director Amaro inquired about the cause of the bid variations. Mr. Foster stated that he

was comfortable with the bids received. Upon being put to a vote, the motion was unanimously adopted.

Director Richter then recognized Mr. Douthitt, who presented the updated bookkeeping report attached as **Exhibit “O”**. Mr. Douthitt reviewed the proposed funds transfers summarized on page one of his report, including a transfer from the District’s operating account to the manager’s account in the amount of \$15,400, a transfer from the District’s TexPool operating account to the District’s operating account in the amount of \$200,000, a transfer from the District’s Compass Lockbox account to the TexPool general operating account in the amount of \$118,768.15, a transfer from the District’s Logic tax account to the Logic operating account in the amount of \$85,706.76 and from the District’s Logic tax account to Logic debt service account in the amount of \$140,000. Mr. Douthitt then reviewed the Director and vendor payments that were being presented for approval. He called the Board’s attention to additional payments that had been added to the report since the packet date as well as the payments related to the City of Austin rate case. He noted that the per diem to Director Campbell would need to be voided due to his absence from the meeting. Director Richter stated that she believed she had been shorted by one per diem. Mr. Douthitt agreed to confirm the amount due. Mr. Douthitt then explained that the Board had approved a payment on the 2009 bonds at the prior month’s meeting on August 25, 2015, that he had received a revised invoice as a result of the refunding, and requested approval of payment in the corrected amount. Upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the payment of the bills and invoices as presented and the transfers as recommended.

Director Richter then recognized Mr. Anderson for purposes of receiving the general manager’s report. Mr. Anderson noted that the District currently had 2,938 occupied single-family connections, a total of 3,839 accounts and an estimated population of 10,059. He added that the District had satisfactory lab results and had experienced a 7.08% water loss for the prior reporting period, which was good. Mr. Anderson then called the Board’s attention to the write-offs set forth on the list attached as **Exhibit “P”** and recommended approval. After discussion, upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approve the write-offs. Mr. Anderson advised the Board that he and Mr. Foster had spoken with the well company about the situation with the well pump, and the motor in the pump at the pump station had been replaced at no charge. He stated that the well was not in operation currently as Mr. Fadal wanted to use city water for the initial plantings. Director Richter thanked Mr. Anderson and Mr. Foster for their efforts in resolving the situation with the pump motor. Mr. Anderson then stated that two proposals had been obtained for preventive maintenance for the pump station facilities, one from Bee Cave Drilling, Inc. and one from Central Texas Water Maintenance. He recommended that the proposals be referred to the Subcommittee for evaluation and recommendation to the Board. Mr. Anderson also commended Mr. Robles for his work on the system and noted that Mr. Robles had pointed out that the problems had arisen after the recent storms and that he concurred that electrical surges could be the root cause. The Board concurred with Mr. Anderson’s recommendation and asked the Subcommittee to bring a recommendation on the preventive maintenance contract to the next meeting.

Director Richter then advised the Board that, on August 6th, she and several other districts' representatives had attended the Austin City Council to speak on the rate case, and explained that Cliff Drummond, she and then Don Conklin had spoken. She noted that, on August 14th, the PUC took up the case and Ms. Webb, the City's attorney, spoke first. Director Richter noted that Ms. Webb was allotted 15 minutes to speak and had been very disorganized. She stated that Mr. Carlton had spoken on behalf of the districts and done an excellent and succinct job and that the PUC's staff had agreed with the districts' position. She noted that action had been deferred until the September PUC meeting, which was normal protocol. She stated that there was also a District Court action scheduled for September 9th.

At 7:10 p.m., Director Richter stated that the Board would take a short recess. At 7:20 p.m., the Board reconvened in open meeting. At 7:22 p.m., the Board convened in executive session in order to consider personnel matters as permitted by Section 551.071 of the Texas Government Code. At 7:53 p.m. the Board reconvened in open session and Director Richter stated that no action had been taken.

There being no reports from developers' and landowners' representatives, and no other business to come before the Board, upon motion by Director Amaro and second by Director Haught, the meeting was adjourned.

Date: October 27, 2015

(SEAL)

Kathy Haught, Secretary
Board of Directors