

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

August 26, 2008

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 26, 2008, 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, except Director Gray, who arrived later, thus constituting a quorum. Also present at the meeting were Sam Jones of Sam Jones Consulting; Linda Loup of Southwest Securities; Mike Morin of SWWC Services, Inc.; Mona Oliver of Wells Branch Municipal Utility District; Dick Cowan, representing the Wildflower Homeowners Association; Deputy Keith Kinnard of the Travis County Sheriff's Department; Jim Nias and Katherine Loayza representing The Village @ Northtown, Ltd. and Sue Brooks Littlefield of Armbrust & Brown, L.L.P.

Director Campbell called the meeting to order at 5:45 p.m., and stated that the Board would first consider approving the minutes of the July 22, 2008 Board meeting. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the minutes. At this time, Director Gray arrived at the meeting.

Director Campbell stated that the Board would next receive the security report, and recognized Deputy Kinnard, in attendance with his canine companion, Kora. Deputy Kinnard reported that he had received notice of additional graffiti within the District, and had added some weekend patrols to attempt to address the problem. He stated that burglaries within the District were down and that the main problem was currently the graffiti. He asked to be notified as soon as any graffiti was observed. The Board agreed, directing Ms. Oliver to be sure that any instances of graffiti tagging were immediately reported to the Sheriff's Department, as requested. Director Richter stated that there was graffiti on the bridge which had not been removed in a timely manner. Ms. Oliver agreed to follow up on the problem with Mr. Williams.

Director Campbell then stated that the Board would consider taking action regarding the District's 2008-2009 budget and 2008 tax rate. Ms. Loup presented the 2008 certified assessed valuation of \$382,077,620, a copy of which is attached as **Exhibit "B"**, and reviewed it with the Board. Mr. Morin advised the Board that the City of Austin would be increasing the District's

water and wastewater rates, and that water rates were projected to increase 8.3%, while wastewater rates were projected to increase 4.8%. He stated that his draft budget reflected an increase in both revenues and expenditures due to this change in the District's wholesale rates. He also advised the Board that he was budgeting two taps per month, which was much lower than in the past, but stated that he felt this was a fair representation due to the change in the status of development within the District. Mr. Morin also pointed out that he was projecting a decrease in interest income, which reflected what was happening in the market. He pointed out that the biggest expense change was the additional cost for bookkeeping services, noting that there were still some negotiations going on with regard to management services, and so he had left that cost at a conservative figure. He pointed out that there had been an increase in credit card fees, to reflect the fact that credit cards were being used more frequently to pay utility bills within the District. Mr. Morin stated that the landscape numbers were based on Mr. Fadal's projections, and that the park expenditure reflected the transfer of \$1,000,000 from the District's operating account into the park line item, which was consistent with past years. Mr. Morin stated that, overall, the projected budget reflected \$635,000 in expenses over revenues, but still would leave the District with a healthy fund balance in both its operating account and its park fund. He pointed out that there was \$150,000 included in the current year's budget for a fence which had not been expended, and that this would be carried forward to the next budget year. Director Campbell pointed out that the cost of solid waste services would increase because of the annual CPI adjustment contained in Texas Disposal System's contract. Mr. Morin agreed to contact Texas Disposal Systems regarding the amount of the increase. Director Richter inquired about the line item for a park consultant and, after discussion, the Board agreed that this amount would be left in the park line item, even though it was not currently anticipated to be expended. The Budget Subcommittee, consisting of Directors Campbell and Richter, encouraged the other Board members to review the budget and provide them and/or Mr. Morin with any input. Director Martinez inquired about the CPI adjustment, and the Board discussed the fact that this was a factor in several of the District's contracts, and was similar to a cost-of-living increase. Director Martinez then inquired about tap fee revenues, and Mr. Morin explained that this was a charge for connecting a new residence or business to the District's utility systems. Ms. Loup then distributed the financial analysis attached as **Exhibit "C"**, and reviewed it with the Board. She pointed out that her firm was recommending a \$0.3467 debt service tax and a \$0.4033 operation and maintenance tax, and Mr. Morin confirmed that he was using this operation and maintenance tax figure in compiling his budget. Director Richter pointed out that, historically, the District had maintained a level tax rate, and that its goal was to manage the District's rate, and not unfairly impact the District's residents. She noted that the Board was comfortable with the \$0.75 rate, which the District had had for several years. Ms. Loup explained that the debt service reserves which were being projected met the requirement of providing 25% of the next year's debt service requirements. After further discussion, Director Richter moved that the Board establish a proposed tax rate of \$0.75 per \$100 assessed valuation, call a public hearing for September 23, 2008 at 5:45 p.m., at the Wells Branch Community Center, and authorize the District's attorney to give notice of the public hearing. Director Henderson seconded the motion, which was adopted with all Directors present and voting "yes".

Ms. Loup then presented the foreclosure report, attached as **Exhibit "D"**, and the Board noted that Railroad Street was not within the District. Several Board members expressed concern that this error had been made by the Appraisal District, especially since the Board was relying on the Appraisal District's work in setting the tax rate. Ms. Loup then advised the Board that the District's consultants were ready to proceed with the District's 2008 bond application.

Upon a motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the Resolution Authorizing Application to the Texas Commission on Environmental Quality for the Approval of Projects and Bonds attached as **Exhibit "E"**. Director Gray inquired whether any of the Directors were concerned about the debt tax projection included in the financial analysis, which indicated that the debt tax would increase dramatically in order to support this bond issue. Ms. Littlefield stated that the Board could elect not to proceed with the sale of the bonds or to proceed with the sale of only a portion of the bonds if it determined that the tax rate was not acceptable. She stated that, at this time, the Board was only being asked by the Financial Advisor to consider moving forward with an application, and explained that the application would need to be approved by both the Texas Commission on Environmental Quality and by the City of Austin, which would take several months and probably not be completed until early in 2009.

There being no citizens' communications, Director Campbell stated that the Board would receive a report under the Interlocal Agreement with Wells Branch Municipal Utility District. The Board directed that the matter of the deteriorated fence at 15321 Mandarin Cove and the lack of yard maintenance on Lampting be pursued aggressively. Director Richter reported on the status of the 50-acre park, noting that the soccer fields were well on their way and that the dog run had been seeded. She stated that work would be 50% complete by the month of September and, at that time, the District could file for the other one-half of its grant money. She stated that she commended Mr. Williams and his staff for the fine work they had done on the District's park development.

Director Campbell then recognized Mr. Cowan, for purposes of receiving a report regarding Wildflower Homeowner's Association restrictive covenant matters. Mr. Cowan advised the Board that, on July 25th, he had picked up the financial accounts from the prior Homeowner's Association manager, and had been working on these accounts ever since. He stated that there were many corrections that needed to be made and about 40 accounts that could not be traced. He stated that he was able to have the Homeowner's Association Board send out assessments for the current year, and pointed out that the lack of funding made it difficult to get things done for the Homeowner's Association at the current time. He stated that notices of assessments had been mailed on August 5th. Director Campbell expressed concern that the assessments were not collected by the mortgage companies, noting that he had been advised that this was how they would be handled at the time the development in Wildflower originally started. Mr. Cowan responded that the assessments were coming in and he thought the Association was headed in the right direction. Mr. Cowan also stated that he had spoken to the Pflugerville Volunteer Fire Department about the issue on the alleys, and safety concerns since some of the alleyways were blocked. He stated that he would like to put up "no parking" signs, but that the Homeowner's Association had put this on hold for the present time. Mr. Cowan also stated that he understood the Board's concern regarding the condition of the lot on Segovia Way, but pointed out that this was adjacent to Wildflower and not actually a part of the development. He stated that he had personally picked up the trash on that lot about a week previously, and that the Homeowner's Association was unwilling to fund the clean-up. After discussion, the Board directed that Ms. Littlefield contact Deputy Kinnard and the Health Department to determine if they could be of any assistance with regard to the dumping on this property. Director Richter asked that Ms. Oliver remind Mr. Williams to remove the rocks from the end of Golden Flax cul-de-sac, and Ms. Oliver agreed to do so.

Director Campbell then stated that the Board would receive the landscape maintenance report. Director Richter stated that Mr. Fadal would not be present at the meeting, but that he had submitted two proposals for maintenance on Merseyside and that she would like authorization to allow the Park Subcommittee to approve Mr. Fadal's mowing of this area as needed. After discussion, upon a motion by Director Richter and second by Director Gray, the Board voted unanimously to authorize the Park Subcommittee to authorize Mr. Fadal to mow the area as needed. Director Richter advised the Board that two new proposals would be presented to the Board at the next monthly meeting. She stated that everything was very green and beautiful, and also discussed some additional improvements which were planned for the dog park.

Director Campbell then stated that the Board would receive a report from the District's general manager, and recognized Mr. Morin. Mr. Morin presented the list of write-offs, attached as **Exhibit "F"**, and recommended approval. Upon a motion by Director Henderson and second by Director Gray, the Board voted unanimously to approve the write-offs. Mr. Morin also requested approval of the bond payments summarized on **Exhibit "G"**, and the transfer letters attached as **Exhibit "H"**. Upon a motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the bond payments and the transfer letters. Mr. Morin then requested approval of the bills and invoices received by the District, as set forth on the check register attached as **Exhibit "I"**, and the supplemental check register attached as **Exhibit "J"**. Upon motion by Director Henderson and second by Director Martinez, the Board voted unanimously to approve the payment of the bills and invoices. The Board then discussed the fact that the developer escrow for the Lakes at Tech Ridge was behind in an amount of over \$4,000, and that it appeared from Mr. Morin's summary, attached as **Exhibit "K"**, that this had not been billed since December. Director Richter pointed out this had been a continuing problem, and asked that Mr. Morin be sure that these accounts were kept current. Director Henderson asked that Mr. Williams be requested to provide a little more detail on his invoices, and the Board agreed that this should be requested. The Board then discussed a refund due to the Travis County Tax Assessor-Collector as described on the letter attached as **Exhibit "L"**, and Ms. Littlefield inquired whether Mr. Morin had obtained the Board's approval of a payment as requested by the Tax Assessor-Collector's office. Mr. Morin confirmed that he had, noting that this was Check No. 8658. Ms. Littlefield suggested Mr. Morin obtain the information of the cause of the over payment and refund before releasing the check and he agreed to do so.

Director Campbell explained that the Bookkeeping Services Agreement and Amended Contract for Operation and Maintenance of Retail Utility System with SWWC Services, Inc. were still in process, and that he hoped to present the final contracts to the Board for approval at the next meeting. He stated that the Board would next receive the attorney's report, and recognized Ms. Littlefield. Ms. Littlefield reviewed her directives from the previous Board meeting, and also advised the Board that the Texas Commission on Environmental Quality had adopted landscape irrigation installation rules which the District was authorized, but not required, to implement. She stated that she was not recommending the Board take any action regarding these rules at this time. Ms. Littlefield then requested that the Board take up irrigation water rates, the letter received from Republic Commercial on behalf of the Lakes at Tech Ridge and the condition of the pond on Harris Ridge in executive session, and the Board agreed to do so. Ms. Littlefield then presented the request for proposals for auditing services attached as **Exhibit "M"**, and reviewed it with the Board. She pointed out that, as the District intended to retain Peña Swayze & Co. as its bookkeeper, it would be required to retain a different auditor for

the audit of the current fiscal year's financial statements. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the request for proposals.

Director Campbell then stated that the Board would consider taking action regarding the Dessau Wastewater Treatment Plant. Ms. Littlefield presented the memorandum attached as **Exhibit "N"**, and reviewed it with the Board. Mr. Jones advised the Board that the walk-through would not be performed until the first of September. Director Richter inquired whether the timeline for Dessau's completion of its portion of the work was normal, and Mr. Jones indicated that the timeline did not seem inappropriate, and pointed out that there was a great deal of coordination with the City of Austin which was required. Mr. Jones was also confirmed that Dessau Fountains would repair the sidewalk by the lift station as part of its work. Mr. Jones then presented the proposal for impellers for the lift station improvements attached as **Exhibit "O"**. He noted that the Board had previously received a proposal, but that it had expired due to the passage of time. Mr. Jones requested that the Board authorize him to approve the proposal for the upgrade of the impellers. Upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the proposal. Mr. Jones also advised the Board that D.R. Horton had repaired some of the damage to the sidewalk and fence in the Parkside project, and stated that Robert Anderson of his office would provide a report on those repairs at the next meeting. Director Henderson stated that three or four sections of sidewalk were still broken. The Board then discussed the status of the Lakes at Tech Ridge easement and restrictive covenant, and the Board confirmed that the developer would be required to bring its escrow up to date before the ponds would be accepted. Mr. Jones also noted that KB Homes had indicated that its next section of development was currently on hold due to market conditions.

Mr. Jones then advised the Board that the change order for the Wells Branch Parkway improvements had been received, and reminded the Board that Cash Construction had reduced the District's cost to the low bid amount following discussion of the bidding discrepancy between the low bid for the entire project and the low bid for the District's facilities. He stated that the change order also included an increase for two concrete vaults that had to be upsized. After discussion, upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the Change Order attached as **Exhibit "P"**. Mr. Jones indicated that the Settler's Meadow wastewater line bids would be opened the next week, and that a contract award would be recommended at the next Board meeting. He also reported that he and Mr. Morin were meeting with the City of Austin regarding the master meter issue, and hoped to resolve the problem regarding the metering at that time. Mr. Jones also reported that there was a problem being caused by the contractor working on the dog park, as he was dumping dirt and debris onto the District's roads and that it also appeared that appropriate silt fencing had not been installed. The Board directed that all street debris be cleaned up and that appropriate silt fencing be installed, and asked Mr. Jones to coordinate with Mr. Williams to see that this was done immediately.

Director Campbell then stated that the Board would receive reports from developers' and landowners' representatives, and recognized Mr. Nias. Mr. Nias reported that the Village @ Northtown had substantially lowered its ambitions on what it was trying to obtain through the City of Austin, noting that it had encountered a major roadblock with the City of Austin's Park Department on the proposed park changes. He stated that he did not feel that the developer had the time to work through these issues at this time, and so had reduced the scope of what was

being requested and had also reduced what final plats were being processed. He stated that he was trying to get the deadline extended and was hopeful that he would accomplish this on the following Thursday. He presented a revised layout with the development and Director Campbell reminded the Board that the Board had previously appointed a subcommittee to work with the developer on the proposed land use plan changes.

At 7:50 p.m., Director Campbell announced that the Board would convene in executive session for purposes permitted by Section 551.071 of the Texas Government Code in order to receive legal advice from the District's attorney, and also Section 551.074 of the Texas Government Code, in order to consider personnel matters. At 9:15 p.m., the Board reconvened in open session, and Director Campbell announced that no action had been taken during executive session. Director Richter then moved that the Board authorize a proposed adjustment to the bill for irrigation water to the Lakes at Tech Ridge based on the cost of wastewater to the District, and a modified block schedule, and direct Mr. Morin to notify the customer of the proposed adjustment, which would be contingent upon the customer either coming current on its bill or entering into an approved payment plan with the District and complying with that plan. She further moved that the Board appoint a subcommittee consisting of Director Campbell and Director Gray to develop a rate order revision consistent with the previous motion which would incorporate a revised block schedule for large irrigation customers. Director Richter further moved that the Board revise the rate order to reflect a stair-stepped security deposit which would allow the security deposit of \$100 for homeowners and \$150 for renters to be increased up to five total times, for a total homeowner deposit of \$500 and a total renter deposit of \$750, based on a customer's failure to timely pay its utility bills, and to add a presumption that a customer was a renter unless the customer provided proof of ownership in the form of a tax statement or a certified copy of a vesting deed. Director Richter further moved that these revisions to the rate order be made effective immediately. Director Martinez seconded the motions which had been made by Director Richter, which passed unanimously.

Director Campbell then inquired whether any Board member wished to make a motion for revision of Northtown Municipal Utility District "Rule" No. 4, the District's erosion control rules. After discussion, upon motion by Director Richter and second by Director Henderson, the Board voted unanimously to approve the revisions to the Rule attached as **Exhibit "Q"**, effective immediately. Director Richter then moved that the Board authorize Ms. Littlefield to negotiate an agreement with Gulf Coast Compliance for inspection and compliance enforcement with a directive to bring a contract back to the Board at its September meeting. Upon second by Director Gray, the motion was unanimously adopted.

The Board then discussed concerns regarding the District's various wet ponds, and agreed that a proposal should be obtained from Oteka Water Designs for restoration of any ponds which were in bad condition, and maintenance of any ponds which were required to be maintained on an on-going basis. The Board requested that Mr. Jones be asked to prepare an inventory of the District's wet ponds, and agreed that Oteka Water Designs should be asked to submit a proposal documenting what needed to be done for the Harris Ridge pond. The Board also asked Ms. Littlefield to coordinate with Mr. Williams and Mr. Jones on whether any permit was required for the work being done on existing stock pond within the 50-acre park.

Director Richter then moved that the Board authorize SWWC Services, Inc. to subcontract bookkeeping services to Municipal Accounts & Consulting subject to SWWC

Services providing proof that Municipal Accounts & Consulting had all required insurance under the District's existing contract, and with the understanding that SWWC Services, Inc. would remain fully responsible for proper performance of all bookkeeping services under the contract. Upon a second by Director Henderson, the motion was unanimously adopted.

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

Date: _____.

(SEAL)

Scott M. Gray, Secretary
Board of Directors