

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

September 23, 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 September 23, 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"**.

All of the members of the Board were present, as follows:

Robin Campbell	-	President
Brenda Richter	-	Vice President
Alex Martinez	-	Secretary
Kathy Haught	-	Assistant Secretary
Felix Amaro, Jr.	-	Assistant Secretary

Also present at the meeting were Mona Oliver, the District's on-site manager and covenant administrator; Robert Anderson and Brian Paul of Crossroads Utility Services, LLC ("*Crossroads*"); Allen Douthitt of Bott & Douthitt, PLLC; Deputy Keith Kinnard of the Travis County Sheriff's Department; Linda Loup of Public Finance Group, LLC; Richard Fadal of TexaScapes, Inc.; Scott Foster of 360 Professional Services, Inc.; Ray Bryant of Texas Disposal Systems, Inc.; Virginia Blake of McCall Gibson Swedlund Barfoot, PLLC; Allen Rivaldo and Lee Hill, residents of the District; Randy Wilburn of Law Offices of Randall Wilburn; 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 stated that the Board would next open the public hearing on the District's 2014 tax rate. Director Campbell recognized Mr. Hill, who stated that he was happy that the Board was considering lowering the tax rate, and would like to see more public discussion of the needs that were considered in setting the District's tax rate. He stated that he would like to know how any extra money was used, including whether it was used to pay down the District's debt. Director Campbell stated that the Board had a subcommittee that met with the bookkeeper and the other District consultants to determine the District's needs during the budget development process. He stated that the tax rate was developed not only with the rollback rate in mind, but, because the District's appraised value fluctuated over time, the goal was to maintain a level to declining tax rate. He noted that, with new development, the District incurred more obligations to pay for infrastructure. Mr. Hill acknowledged that the Village@Northtown would require additional debt. Director Campbell stated that this was a consideration, but noted that the apartment complexes did not require additional debt and added significantly to the tax base. He stated that the Board's goal was to be as

fair to the residents as possible. Director Campbell stated that the proposed tax rate was \$0.7360 per \$100 assessed valuation and pointed out that property values were up. He encouraged Mr. Hill to consider joining the Board where he would have the access to all of the budget information and added that the Board welcomed Mr. Hill's input. Director Amaro stated that there was a lot of analysis involved and the Board took a strict approach to the financial requirements of the District. He agreed that the Board appreciated Mr. Hill's input. Mr. Hill stated that he felt the residents experienced a vacuum since there were no reporters investigating the District's budget process and asking specific questions and stated that a five-year analysis would be helpful and could provide a lot of information. Director Amaro stated that he felt the District could provide this information. Ms. Littlefield stated that a five-year summary of the District's financial information was included in the annual audit report and Director Campbell confirmed that the audit was posted on the District's website. There being no other residents wishing to address the Board, Director Campbell closed the public hearing.

Director Campbell then recognized Mr. Douthitt, who reviewed the proposed 2014-2015 budget with the Board. He stated that the Budget Subcommittee had met and reviewed some of the points raised at the prior Board meeting. He noted that the budget anticipated no new growth for the upcoming year and stated that professional fees related to the wholesale rate appeals had been increased, security patrol services fees had been increased, and signage expense had been decreased. Mr. Douthitt pointed out that the budget projected about a \$450,000 deficit, but noted that some of the projects scheduled for 2015 were one-time expenses. He also noted that the rates for wholesale purchases were budgeted at 2014 levels, but the current rates were rolled back to 2012 levels and so, if those were factored in, the District would have a break-even budget. Mr. Douthitt stated that the budget anticipated no increase in retail water or wastewater rates for the upcoming year. Director Campbell stated that the Subcommittee recommended approval of the budget. After discussion, upon motion by Director Richter and second by Director Haught, the Board voted unanimously to adopt the Resolution Adopting Budget attached as **Exhibit "B"**, carrying with it the budget as presented.

Director Campbell stated that the Board would next consider the District's 2014 tax rate. He noted that the projected tax rate was \$0.7360, and that, although this was a decrease in the rate, due to increases in appraised values, the average homeowner would see about a \$75 increase. Ms. Loup presented the tax rate analysis attached as **Exhibit "C"**. Director Richter moved approval of a tax rate of \$0.7360 per \$100 assessed valuation. Upon second by Director Haught, the Board voted to approve the tax rate and adopt the Order Levying Taxes attached as **Exhibit "D"**, with Directors Campbell, Richter, Martinez, Haught, and Amaro present and voting "yes".

Director Campbell stated that the Board would next consider approving the consent items on the Board's meeting agenda: the minutes of the August 26, 2014 Board meeting; the Amended and Restated Information Form attached as **Exhibit "E"**, and the proposal from McCall Gibson Swedlund Barfoot, PLLC for the audit for the fiscal year ending September 30, 2014 attached as **Exhibit "F"**. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the consent items.

Director Campbell then stated that the Board would receive the District's security report and recognized Deputy Kinnard. Deputy Kinnard stated that the past week had been difficult, as the Department had lost an officer in the prior week's floods. Deputy Kinnard stated that the Department had not yet received a replacement officer to prepare the monthly reports, so he had prepared a manual report. He stated that the rate of burglaries was still lower than in the prior year, but that there was more family violence. He reported a spike in auto theft and auto theft recoveries in the Brookfield Subdivision. Deputy Kinnard stated that supplemental patrols were being done by COPS. He noted that the abandoned vehicle situation was improving. Director Campbell asked why Tudor House seemed to be problematic and Deputy Kinnard stated that he believed it was because it tied into Crystal Bend across Dessau Road. After discussion, Director Richter moved approval of the payments to the Sheriff's Deputies as shown on the bookkeeping report attached as **Exhibit "G"**. Upon second by Director Amaro, the motion was unanimously adopted. Director Amaro then presented a purchase request for the Acroprint ARES Express Guard System and explained that the Security Subcommittee recommended approval of the purchase to simplify the standard monthly reports prepared by the deputies and allow them only to report on unusual circumstances. He added that this would also allow Ms. Oliver to provide residents with information regarding where the deputies were patrolling. Director Amaro suggested meeting with Deputy Kinnard before authorizing the purchase and bringing the proposal back to the next meeting and Deputy Kinnard agreed. He stated that Wildflower had hired its own security service and he understood that another HOA wished to do the same thing. Director Amaro stated that he would like to provide a mechanism so the District could respond to questions or concerns.

Director Campbell then recognized Mr. Fadal for purposes of receiving the landscape maintenance report. Mr. Fadal presented the landscape maintenance report attached as **Exhibit "H"** and stated that all work was on target, that the grow zone was working well, and that his crews were applying the "Texas Two Step" fire ant treatment. He stated that, due to the drought, there was more ant activity than he had seen in a number of years. Mr. Fadal noted that there was a more aggressive treatment available called Top Choice if the Texas Two Step wasn't effective quickly enough. He presented the plant of the month, Dianthus, which he explained was a good plant choice for the Fall and Winter. Mr. Fadal then demonstrated Miracle Grow water storing crystals.

Director Campbell stated that the Board would next receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver distributed her monthly report, attached as **Exhibit "I"**, and reviewed it with the Board. She stated that she had contacted two possible contractors regarding the District's Nutria problem and was referred to a County-funded contractor who would work on the removal at no cost, but stated that he was not available until the end of October. She stated that she would like to meet with the Park Subcommittee on the methodology. Director Haught moved to authorize the Park Subcommittee to make a decision on the removal, including the methodology. Upon second by Director Campbell, the motion was unanimously adopted. Ms. Oliver stated that she had submitted a proposal to the resident who wished to have a front yard fence and that the resident appreciated the resolution. She stated that she expected to have a signed agreement in the next few weeks. Ms. Oliver then presented the

information regarding Texas Disposal Systems' recycling container deliveries and noted that the containers were being delivered with the educational information that had been approved by the Subcommittee. Mr. Bryant confirmed that he would bring 100 additional information packets to Ms. Oliver for new residents. Ms. Oliver then reviewed the Helpful Contact Information attached as **Exhibit "J"** and explained that it had been included in the monthly water bills. She then reviewed the purchase request attached as **Exhibit "K"** for Mutt Mitt bags. Director Richter stated that there were additional funds remaining in the budget that would cover this expense. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the purchase. Ms. Oliver then reported that a new employee, Fernando Orozco, had started on Monday.

Director Campbell then recognized Mr. Foster for purposes of receiving the engineer's report. Mr. Foster presented his report, attached as **Exhibit "L"**. He noted that he had been directed to review the Village@Northtown easements and that he had provided comments and was awaiting a response. Mr. Foster stated that he had published notice of the District's MS4 plan and that the public comment period would be expiring shortly. He noted that he anticipated receiving approval of the plan. Mr. Foster stated that the force main project was substantially complete and was operational with no issues and that he hoped to complete the minor issues like repaving by October. He then presented Pay Estimate No. 3 and Change Orders No. 2 and 3 for the force main project attached as **Exhibits "M" "N" and "O"** and recommended approval. He explained that Change Order No. 2 was associated with additions and deducts and was an overall deduct change order and that Change Order No. 3 related to work that was not required to repair damage to landscaping and fencing and so there was a credit which he recommended be used to reseal the driveway to the lift station and restripe and seal the park parking lot. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the Pay Estimates and Change Orders. Mr. Foster then presented the additional work proposal related to the force main project attached as **Exhibit "P"**, noting that this related to his work in obtaining additional approvals from the City. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the proposal. Director Richter thanked Mr. Foster, his staff and Crossroads for their coordination and work to make this a smooth project. Mr. Foster then presented Pay Estimates No. 5 and 6, attached as **Exhibits "Q" and "R"**, for the trail restoration project and recommended approval of Pay Estimate No. 5 and approval of Pay Estimate No. 6 contingent upon the Park Subcommittee's approval of the revegetation. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to do so. Mr. Foster then advised the Board that he would be bringing back a report on the proposed surplus funds application at the next Board meeting.

Director Campbell then recognized Mr. Douthitt, who presented the updated bookkeeping report attached as **Exhibit "G"**. Mr. Douthitt reviewed the funds transfers he was recommending for approval as summarized on page one of his report and recommended closing a park certificate of deposit and transferring the funds to the LOGIC Park account. He reviewed the bills and invoices being presented for approval. He confirmed that he had reviewed the payments with Director Amaro. He called the Board's attention to the additional checks that had been added to the check register

since the Board's packet date. Mr. Douthitt also reviewed the payments that had been made out of the manager's account since the last meeting, noting that these were largely utility payments and customer deposit refunds for the past month. He confirmed that he would hold the final payment on the trails restoration project until approval by the Subcommittee. Upon motion by Director Richter and second by Director Haught, the Board voted to approve the payment of the bills and invoice and the transfers, as recommended, with the exception of the payment to the Sheriff's Deputies that had previously been approved, with Director Amaro out of the room at the time of the vote.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager's report. Mr. Anderson presented his report, attached as **Exhibit "S"**, and reviewed it with the Board. He noted that the District currently had 2,941 occupied single-family connections and total of 3,006 accounts. He noted that with the apartments, the population was of 9,417. He stated that the District had reported a 14% water loss for the prior reporting period, but that the overall average water loss was good. Mr. Anderson stated that all water test results were satisfactory. He then stated that he had no 90-day delinquent accounts to report. Mr. Anderson then requested approval of the five write-offs set forth on the list attached as **Exhibit "T"**. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the write-offs.

Director Campbell then stated that the Board would receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield stated that the BLX Group had reviewed the District's \$2,504,999.70 Unlimited Tax and Revenue Refunding Bonds, Series 2014 and noted no arbitrage issues. Ms. Littlefield then presented the ballot for the election to the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool. The Board agreed that it did not wish to vote.

Ms. Littlefield then presented the fraud questionnaire attached as **Exhibit "U"** and reviewed it with the Board. She reminded the Board that this questionnaire was intended to confirm that the Board members were not aware of any fraud or allegations of fraud relating to the District. The Board members confirmed that they were aware of the District's internal controls and were not aware of any fraud or allegations of fraud or other matters that would require a report to the District's auditor.

Director Campbell stated that the Board would consider the City of Austin wholesale water and wastewater rates and joint rate challenges in executive session at the end of the meeting.

Director Campbell stated that he and Director Amaro had met with representatives of the apartment developer regarding the next project to be constructed on Lakes Boulevard and that no variances were being requested. He stated that it had a more modern or contemporary design than the other two complexes. He added that there would also be some mixed commercial and office buildings on the tract in the area that was outside the boundaries of the District. Director Campbell stated that this developer was very responsive and responsible. Director Amaro stated that the amenities for the existing complexes were very nice and were done "resort style".

Director Campbell stated that he felt they were a good addition to the District. Director Amaro stated that the design exceeded expectations with regard to the aesthetically pleasing exterior. Mr. Foster noted that there would be some parkland fees paid with respect to the portion of the new project to be located in the District.

At 6:54 p.m., Director Campbell then stated that the Board would convene in executive session as permitted by Section 551.071 of the Texas Government Code in order to receive legal advice from Mr. Wilburn on the City of Austin rate case and to conduct consultant reviews. At 8:02 p.m., the Board reconvened in open session and Director Campbell announced that reviews of Mr. Anderson, Mr. Douthitt, Ms. Loup, and Mr. Foster had been performed and that no action had been taken in executive session.

There being no further business to come before the Board, the meeting was adjourned at 8:03 p.m.

Date: _____

(SEAL)

Alex Martinez, Secretary
Board of Directors