

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

September 25, 2012

THE STATE OF TEXAS           §  
                                          §  
COUNTY OF TRAVIS           §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on September 25, 2012 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 roll was called of the members of the Board:

Robin Campbell	-	President
Brenda Richter	-	Vice President
Scott M. Gray	-	Treasurer
Alex Martinez	-	Secretary
Felix T. Amaro, Jr.	-	Assistant Secretary

All of the Directors were present, thus constituting a quorum. 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.; Scott Foster of 360 Professional Services, Inc.; Deputy Keith Kinnard of the Travis County Sheriff's Department; Cheryl Allen of Southwest Securities; Lee Hill, resident of the District; Randall B. Wilburn of Law Offices of Randall B. Wilburn; Ray Bryant and Julio Castillo of Texas Disposal Systems ("TDS"); Lara Baker, Fire Chief Ron Moellenberg and John Grasshoff of Travis County Emergency Services District No. 2; Trevor Stokes of PPFPA; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Campbell called the meeting to order at 5:45 p.m. and stated that the Board would first receive resident communications. He recognized Mr. Hill, who stated that he had discussed the missed recycling pick-ups with Mr. Bryant of TDS. He asked if a meeting packet could be provided at each Board meeting for the residents to have access to in lieu of posting a PDF on the District's website, which he stated he would not have time to review before the Board meetings. Ms. Littlefield responded that the packet materials were available a week prior to the meeting. After discussion, the Board directed that one packet consisting of any non-confidential meeting materials be provided at the meeting room in addition to posting those materials on the website.

Director Campbell then stated that the Board would receive Board member announcements. There being none, Director Campbell stated that the Board would next conduct a public hearing on the District's 2012 tax rate. He opened the public hearing and inquired if there was anyone present wishing to address the Board on this issue. Director Campbell noted that the Board proposed to maintain the same tax rate of \$0.75 per \$100 assessed value. He noted that the full Board had established the proposed tax rate and that this was the public's opportunity to provide input on the proposed tax rate.

Director Campbell added that the Board made every effort to maintain a consistent tax rate. Mr. Hill thanked the Board for maintaining the same tax rate and stated that he hoped that in the future it would go down. There being no one else who wished to speak, Director Campbell closed the public hearing.

Mr. Douthitt then called the Board's attention to the proposed budget and noted that he had added a budget line-item for community signage. He explained that there were budget scenarios with and without a rate adjustment, as discussed at the last Board meeting, and noted that the budget utilized an operations and maintenance tax rate of \$0.2229, as recommended by Ms. Allen. Mr. Foster then addressed the Board about the force main break that had occurred the previous day, noting that the Board had been planning on investigating alternatives, but that recent history indicated that this project might need to be accelerated. He estimated that the project would cost between \$1,300,000 and \$2,000,000. Director Campbell commented that it appeared unlikely that the District could complete the project within the current budget year and Mr. Foster concurred. Mr. Anderson estimated that the repair cost for the most recent break would be between \$50,000 and \$80,000. Ms. Allen stated that, for a project of this size, the cost would not generally be paid out of the operating fund and recommended that the consultants be directed to come back with a plan to fund the project. Director Richter asked if there were costs for the project included in the current budget. Mr. Foster responded that the engineering costs were included. Mr. Douthitt explained that the District's service revenues were not currently covering the cost of service, which was why a utility rate adjustment was being recommended. Director Amaro stated that, based on the force main's repair history, he felt it would be better to expedite the project. Mr. Foster stated that there would be a process to determine the most cost-effective alignment and get through the feasibility period. Director Martinez stated that he and Director Campbell had viewed this with a sense of urgency, and the Subcommittee was aware of the need to proceed with the project, but also to do the necessary due diligence. Director Campbell noted that the most expensive option would be to replace the line in place and an alternative would be to locate the line on undeveloped land, which would require the acquisition of easements. Mr. Anderson stated that the Texas Commission on Environmental Quality ("TCEQ") was concerned about the impact of the most recent spill in the creek and there was a possibility of a fine. Mr. Foster stated that Crossroads had done an excellent job in responding to the emergency. Upon motion by Director Gray and second by Director Richter, the Board voted unanimously to approve the Resolution Adopting Budget, attached as **Exhibit "B"**, incorporating the fiscal year 2012-2013 budget Scenario 2 as presented. Director Gray noted that the District would still be operating at a deficit of almost \$900,000 and, even if the projections were conservative, he anticipated that there would still be a deficit of about \$700,000. He added that the District needed to plan for repair and maintenance and maintain a sufficient reserve.

Director Martinez then moved that the Board adopt the proposed tax rate of \$0.75, as recommended by Ms. Allen, and approve the Order Levying Taxes attached as **Exhibit "C"**. Director Gray seconded the motion, which was adopted with Directors Campbell, Richter, Gray, Martinez and Amaro present and voting "yes".

Director Campbell stated that the Board would next discuss the District's water and wastewater utility rates, including an amendment to the District's Order Establishing Service Rates, Charges and Tap Fees and Adopting Rules and Policies with

Respect to the District's Water, Wastewater and Drainage Systems. Ms. Littlefield reviewed the proposed adjustments, and called the Board's attention to adjustments to the base rates for non-single family residential users that had been made to correspond to the proposed adjustments to the single-family rates. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to adopt the amended Order attached as **Exhibit "D"**.

Director Campbell then stated that the Board would discuss arbitrage rebate services, including the engagement of BLX Group, LLC ("**BLX**"). Ms. Allen presented the engagement letter attached as **Exhibit "E"** and reminded the Board that this issue had been discussed in the past. She stated that there had been several audits of local municipal utility districts and that this information would be most helpful in assuring the District was in a position to respond to any inquiries from the Internal Revenue Service. She recommended that the Board retain BLX to do the arbitrage analysis and confirm that the District had not earned rates in excess of the interest rates on the bonds. She explained that this particular company had been selected by the District's consultants, who felt the firm was most knowledgeable and cost-effective in its proposal. Upon motion by Director Gray and second by Director Amaro, the Board voted unanimously to approve the engagement letter.

Director Campbell then stated that the Board would discuss City of Austin wholesale water and wastewater rates, including a potential rate challenge. He reminded the Board that it had discussed participating in a joint rate challenge with other affected districts. He recognized Mr. Wilburn and explained that the Board had reviewed the engagement letter Mr. Wilburn had submitted and that it was likely that there would be some small modifications requested. Director Campbell thanked Mr. Wilburn for attending the Board meeting and stated that he would like to hear from him about his experience. Mr. Wilburn stated that he was a professional engineer and attorney, and that he had worked for the Water Commission, the predecessor to the TCEQ, for ten and one-half years and then had gone to law school. He stated that he had handled 20 rate cases to date and had been successful in 19 of them. He added that a wholesale case was different than a retail rate challenge, and there was a different protocol and different rules and they were subject to different parts of the Water Code. Mr. Wilburn stated that he had been invited to the ad hoc meetings by Murfee Engineering. He explained that there had been some preliminary legal work to determine what would need to be done as well as some preliminary work by Jay Joyce, a rate analyst, which was a cost-benefit analysis. He stated that he had been hired by Travis County Water Control and Improvement District No. 10, joined by Wells Branch Municipal Utility District and North Austin Municipal Utility District. Mr. Wilburn estimated that the cost would be \$20,000 for the preliminary phase and stated that he proposed an interlocal agreement to divide the cost among the participating districts. Director Richter moved that the Board's Subcommittee of Director Gray and Director Campbell be authorized to negotiate, approve and enter into a cost-sharing arrangement for a rate appeal on the District's behalf. Upon second by Director Amaro, the motion was unanimously adopted.

Director Campbell stated that the Board would defer discussion of the City of Austin electric rate increase, including the request for financial support for the challenge of the out-of-city electric rates by HURF, until the next Board meeting. Ms. Littlefield stated that she would include the request for support in the next meeting packet.

Director Campbell then stated that the Board would consider approving the minutes of the August 28, 2012 Board meeting. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the minutes.

Director Campbell then recognized Deputy Kinnard for purposes of receiving the security report. Deputy Kinnard reported that there had been some communication lapses between the patrols and investigation divisions of the Sheriff's office, and explained that, because of this lag, he had reported in August that things were good when it was not true and, in fact, the District had had the worse statistics in 12 years. He stated that his deputies didn't know, because they were not given the information by the patrol division. He stated that he had been very disturbed by this lapse and that he had called a meeting of all of the involved personnel. Deputy Kinnard stated that, since the meeting, he had identified viable suspects for a number of incidents and warrants had now been issued. He explained that there were now many more direct patrols and more police presence in the District. The Board then discussed traffic flow problems at the elementary school, and Deputy Kinnard advised the Board that the Principal had changed the procedures from what the Sheriff's office recommended and so the County was no longer involved. Director Richter then moved approval of the payments to the deputies set forth on the updated cash activity report attached as **Exhibit "F"**. Upon second by Director Amaro, the motion was unanimously adopted.

Director Campbell then stated that the Board would receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver reported that the District's maintenance crews had been getting a lot of questions about watering and so she had requested approval from the Park Subcommittee to post signs notifying the public that the District was using well water. She added that this had been approved and the signs would be installed later in the week. Ms. Oliver reported that the dog park and the soccer fields had been reopened. Ms. Oliver stated that she would be monitoring wear and tear on the soccer fields and would close them as needed to allow recovery. She stated that the Covenants Subcommittee recommended proceeding with a suit against the owner of 113 Segovia, where there was a derelict vehicle and debris in public view. Director Amaro stated that the homeowner had moved the debris around the vehicle to obstruct view of its flat tires and expired plates. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to proceed with the suit as recommended. Ms. Oliver then stated that the Villas at Tech Ridge had provided a revised landscape plan for Subcommittee review. Director Campbell stated that the plans were not clear in depicting what they would plant and he felt they needed to specify the minimum that would be acceptable. He stated that the plan was now back in the Villas' court. Director Amaro concurred, noting that he felt that the information provided most recently was a step backwards.

Director Campbell then recognized Mr. Fadal for purposes of receiving the District's landscape maintenance report. Mr. Fadal presented the plant of the month, Monterrey Oak, noting that it was one of his favorites -- an evergreen, oak-wilt resistant and nice shade tree. He presented the report attached as **Exhibit "G"**, and stated that his crews had completed most of the scheduled dead tree removal. Director Richter stated that, at last count, about 400 dead trees had been removed from the District's property. Director Richter stated that the Parks Subcommittee was not recommending replacement of the tree by the force main at this time since it appeared there would be more repair work required. Director Gray commended the work done by the Parks

Subcommittee, the staff and TexaScapes' crews, noting that he had been in a regional park recently and had observed that it had a lot more dead trees.

At 7:10 p.m., Director Campbell stated that the Board would take a short recess. At 7:18 p.m. the Board reconvened in open session.

Director Campbell stated that the Board would next receive the engineering report. Mr. Foster presented his report, attached as **Exhibit "H"**, and advised the Board that the Lakes at Northtown Section 5 should be paved by the next month's meeting and accepted in November. He presented the Pay Estimates attached as **Exhibits "I"** and **"J"** and recommended approval. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the Pay Estimates. Mr. Foster stated that plans for the Oaks at Tech Ridge Phase 2 were still under review. The Board voted unanimously to authorize Mr. Foster to review and approve the plans for Phase 2 and appointed Director Richter and Director Amaro as the authorized Subcommittee to approve any easements it deemed necessary. Mr. Foster stated that the Harris Ridge Boulevard extension was still no closer to a resolution on the drainage and the City had not yet approved acceptance of the project.

Mr. Foster then stated that he was waiting on the City's final walk-through on the low flow lift station. He added that there would be a new person representing Kimley-Horn going forward. Mr. Foster stated that the District just owed the retainage on the project. He stated that he was working with the Subcommittee consisting of Director Martinez and Director Campbell on the potential alignment for the force main replacement and that he was working on this project under a previous authorization. Mr. Foster commended Crossroads' work on the force main repair and thanked Deputy Kinnard for his assistance in traffic control during the repair process.

Mr. Foster then presented the deduct Change Order for the Stoney Creek well project attached as **Exhibit "K"**. He stated that the project was substantially complete and recommended the project for acceptance. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to accept the project for operation and maintenance. Director Richter stated that it looked very nice.

Mr. Foster then presented the bid tabulation attached as **Exhibit "L"** for the MeadowPointe and Wildflower Park playscape projects and reviewed the tabulation with the Board. He stated that the low bidder was G. Creek Construction and recommended approval of the award to G. Creek Construction. Director Richter stated that this bid was about \$27,000 over the budgeted cost estimate, but she felt this could be addressed through other line items. She also stated that this was the last playscape that needed attention and moved approving the award with Option 1 and adjusting the balance so the total budget was not exceeded. Upon second by Director Gray, the motion was unanimously adopted.

Mr. Foster reported that he and Mr. Douthitt had been meeting on the surplus funds and were getting closer to a resolution.

Mr. Foster stated that the annual MS4 permit update was underway. He then reviewed the revised proposal for inspection of District pond facilities only, attached as **Exhibit "M"**, and stated that he did not expect any major maintenance items to be

identified. Director Richter asked if this work was time-sensitive. Director Martinez responded that the District had done a lot of work on the ponds and spent a lot of time and money and he felt that that work needed to be maintained. After discussion, upon motion by Director Martinez and second by Director Richter, the Board voted unanimously to approve the proposal.

Director Campbell then stated that the Board would discuss park development matters and recognized Director Richter. Director Richter stated that she had nothing to report at this time.

Director Campbell then recognized Mr. Douthitt for purposes of receiving the bookkeeper's report. Mr. Douthitt reviewed his updated report, attached as **Exhibit "F"**, with the Board and called the Board's attention to the payments that had been added to the list of bills and invoices since the date of the packet. Mr. Douthitt also reviewed the activity in the manager's account, and recommended approval of the transfers set forth on page one of his report. Upon motion by Director Amaro and second by Director Gray, the Board voted unanimously to approve the transfers and the payment of the bills and invoices, as presented, with the exception for the payments previously approved to the Sheriff's deputies.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager and utility operator's report. Mr. Anderson confirmed that he had provided notice of the rate increase in the District's bills, and had also included the required stuffer on the MS4 permit. He confirmed he had provided the recommended rate increases to Ms. Littlefield as directed. Mr. Anderson then reported that the District currently had 2,821 occupied single-family connections and that all water samples taken the previous month had been satisfactory. He also stated that there had been a 3.93% water gain the prior month, and there was one 90-day delinquency that was on a payment plan. Mr. Anderson then requested approval of the write-offs attached as **Exhibit "N"**. He explained that the one that was for over \$400 was for two months' service. Upon motion by Director Martinez and second by Director Gray, the Board voted unanimously to approve the write-offs. Mr. Anderson then advised the Board that Crossroads was requesting an increase in its base fee of 5% this year and 5% next year and asked that an item be put on the Board's next meeting agenda for the Board to consider this. He then requested approval of the 2012 personnel and equipment rates attached as **Exhibit "O"**. Director Richter moved approval of the revised schedule. Upon second by Director Gray, the motion was unanimously adopted. Director Richter asked that Mr. Anderson provide the dollar impact of the proposed fee adjustment on the budget that had just been adopted.

Director Campbell then stated that the Board would receive reports from developers' and landowners' representatives. There being none, at 7:51 p.m., Director Campbell stated that the Board would next consider consultant reviews and would convene in executive session to do so as well as to receive legal advice. At 8:54 p.m., the Board reconvened in open session and Director Campbell stated that no action had been taken in executive session.

Director Amaro then stated that he was very concerned about the spill incident and felt an emergency response plan was essential, as was a timeline of events that documented the occurrence. He added that, in order to prevent any further injury and

minimize any potential future environmental impact, the Staff should be directed to immediately assess the location of the leak, ascertain what the potential impact would be as its first priority, and take action to minimize the impact. Director Gray asked Mr. Foster if the District had done everything possible to rectify the problem and contain the leak that had occurred the previous day. Mr. Foster stated that, in his opinion, it had done so, noting that the Board had taken prompt action in response to the initial line breaks, including conducting testing that had indicated the line did not present a potential for additional breaks. The Board directed Mr. Foster to contact the TCEQ for guidance and investigate if there was anything the District could do as a countermeasure. Director Campbell asked Mr. Foster to determine if there was a potential to install sensors to identify a potential leak to allow proactive responses. Mr. Foster agreed to do so. Director Amaro asked for assurance that there was nothing that was being done when repairs were being made that exacerbated the potential for future problems. Mr. Foster stated that he was attempting to analyze any common denominators, but hasn't discovered any as of yet. After further discussion, the Board directed that the District's consultants develop an emergency response plan to mitigate further risks and to bring it to the Board for review at the next Board meeting.

There being no further business to come before the Board, upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to adjourn the meeting at 9:01 p.m.

Date:\_\_\_\_\_.

(SEAL)

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Alex Martinez, Secretary  
Board of Directors