

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

November 23, 2010

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 November 23, 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 Martinez, who arrived later, and Director Henderson, thus constituting a quorum. Also present at the meeting were Robert Anderson of Crossroads Utility Services, LLC ("*Crossroads*"); Allen Douthitt of Bott & Douthitt, PLLC; Scott Foster of Kimley-Horn & Associates, Inc.; Ronnie Stafford of TBG Partners; Deputy Keith Kinnard of the Travis County Sheriff's Department; Richard Fadal of TexaScapes, Inc.; Cheryl Allen of Southwest Securities; Kathy Haught, Alan Rivaldo, and Felix Amaro, residents of the District and Sue Brooks Littlefield of Armbrust & Brown, PLLC. Resident Lee Hill 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 October 26, 2010 Board meeting; a Revised District Registration Form; the Resolution Approving Change in Bank Signatories and Change Certificate – Local Government Investment Cooperative Account attached as **Exhibit "B"**; the Resolution Approving Change in Bank Signatories and Change Certificate – General Operating, Park and Interest and Sinking Accounts attached as **Exhibit "C"**; the Resolution Approving Change in Bank Signatories and Change Certificate – Bookkeeper's Account attached as **Exhibit "D"**; the Resolution Establishing Offices and Meeting Places of the Board of Directors of Northtown Municipal Utility District and Establishing Locations for the Posting of Notice of Meetings of the Board attached as **Exhibit "E"**; the Resolution Confirming Annual Review of District Code of Ethics and Financial Investment, Travel and Professional Services Policy and Investment Strategy attached as **Exhibit "F"** and the following documents to implement the AVR payment processing system and the Crossroads' lock box payment system: the Amended and Restated Addendum to Card Services Agreement by and among Northtown Municipal Utility District of Travis County, Texas, Global Payments Direct, Inc., HSBC Bank USA, N.A., Century Bank Card Services, Inc. and AVR, Inc. attached as **Exhibit**

“G”; the First Amendment to Contract for Operation and Maintenance of a Retail Utility System attached as **Exhibit “H”**; a subcontract between Crossroads and Compass Bank for utility payment processing services; the proposal from the Texas Municipal League Intergovernmental Risk Pool for insurance attached as **Exhibit “I”**; the Public Funds Depositor Collateral Security Agreement attached as **Exhibit “J”**; the Secretary’s Certificate and Resolutions Regarding Lock Box Clearing Account attached as **Exhibit “K”** and the Amended Order Establishing Service Rates, Charges and Tap Fees and Adopting Rules and Policies with Respect to the District’s Water, Wastewater and Drainage Systems attached as **Exhibit “L”**. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the consent items.

Director Campbell then stated that the Board would receive resident communications and Board member announcements and asked if there was anyone present wishing to address the Board. There being no one, Director Campbell stated that the Board would next consider taking action to declare a vacancy on the Board and discuss the protocol to fill the vacancy. He explained that Director Henderson no longer resided in or owned property in the District and, therefore, was no longer on the Board and so the Board would be considering an appointment to fill his unexpired term. He stated that the Board would discuss the interest of any residents who were present or who had attended any previous meetings and expressed an interest in serving on the Board. He noted that the Board thanked Director Henderson for his service to the District.

Director Campbell then recognized Mr. Fadal for purposes of receiving a report from the landscape maintenance contractor. Mr. Fadal stated that his crews had gone through the creek and greenbelt areas to trim up the limbs that were lower than seven or eight feet high, and that his crews had also identified trees that they felt were dead and needed to be removed. He stated that some of the vines at the detention pond had died and had been replaced under warranty. He suggested that the Park Subcommittee schedule a meeting with him for mid-December and Directors Richter and Martinez agreed to do so. Director Richter then moved approval of the proposal for the dog park screening attached as **Exhibit “M”**. Upon second by Director Gray, the motion was unanimously adopted.

Director Campbell then stated that the Board would discuss District security, and recognized Deputy Kinnard. Deputy Kinnard requested that an item be added to the next Board meeting agenda to consider an internet security system for the pavilion. Director Richter stated that there was not wireless capability at the pavilion, but suggested a meeting between Deputy Kinnard and the Park Subcommittee to discuss a camera system. Deputy Kinnard agreed to meet with the Park Subcommittee on the proposal, noting that he had considerable experience with these types of systems. Deputy Kinnard reported that the gang activity had moved to Brookfield Elementary School from the park due to the deputies’ patrols pressuring them in the park and making them move on. Deputy Kinnard stated that the vendors for the proposed camera system would need to provide an on-site demonstration of their equipment’s capabilities, and Director Richter agreed. Deputy Kinnard then stated that there were two vehicles in the Wildflower alleyways and explained that these fell under the Health Code and not the Transportation Code, and so he had been unable to tow them. He stated that the Heath Department had tagged them as nuisance vehicles. Deputy

Kinnard also stated that the deputies were citing people who were letting their dogs off-leash in the park. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the checks to the Sheriff's deputies as set forth on the cash activity report attached as **Exhibit "N"**.

Director Campbell then recognized Ms. Allen for purposes of receiving a report from the District's financial advisor. Ms. Allen confirmed that the District's bond refunding had closed, and advised the Board that interest rates at the time of the sale had resulted in a savings of about \$366,000. She explained that interest rates had increased the following week, so the timing for the sale had been favorable. Ms. Allen stated that the savings totaled 4.81%. Ms. Allen then presented the memorandum attached as **Exhibit "O"**, and explained that, when entities sold tax-exempt bonds, they were subject to proving that the funds were spent in a timely manner and that the entity did not earn more in interest than the rate of interest on the bonds. She noted that there was a small issuer exemption, but if a bond issue was over \$5 Million, the exemption did not apply. Ms. Allen stated that, because the District had two issues over \$5 Million and the Internal Revenue Service had added auditors and was specifically targeting governmental entities, she recommended engaging BNY Mellon to review the District's outstanding debt and provide a letter related to arbitrage compliance. Ms. Allen stated that the fee to provide such a letter would hopefully be less than \$3,500 based on her negotiations. She requested that the Board postpone action until she finalized her negotiations on the pricing for the service. Director Gray asked if this was required, and Ms. Allen responded that the District had two bond issues which this requirement was applicable to. Ms. Allen added that Brushy Creek MUD had been audited during 2010. Director Campbell thanked Ms. Allen for bringing the refunding issue to the Board's attention, and added that the Board appreciated the savings.

Director Campbell then stated that the Board would not receive a report under the Interlocal Agreement with Wells Branch Municipal Utility District ("Wells Branch") as neither Mr. Kennis nor Ms. Oliver had been able to attend the meeting. He advised the Board that the District had received the letter attached as **Exhibit "P"**, noting that this confirmed what the Board had previously heard informally, which was that the District's interlocal agreement with Wells Branch would not be renewed when it matured in March 2011. He explained that the District would need to locate office and storage space and potentially have its own employees to provide the services previously provided by Wells Branch. He added that the District would be looking at temporary lease space to provide office, meeting and storage space until suitable space became available in the District. Director Richter noted that there were two projects that Wells Branch was working on, one of which was a fence repair at the ponds, and one of which was repair of some concrete sidewalks in MeadowPointe, which she stated would be done prior to the end of the contact term.

Director Campbell then recognized Mr. Foster for purposes of receiving a report from the District's engineer. Mr. Foster stated that it had now been approximately one year since his firm had been retained as the District's engineer and thanked the Board for this opportunity. Mr. Foster then presented the Pay Estimates No. 1 and 2 for Lakes at Northtown Section 4, and recommended approval of Pay Estimate No. 2, attached as **Exhibit "Q"**, noting that Pay Estimate No. 1, attached as **Exhibit "R"**, was for

reference only. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve Pay Estimate No. 2.

Mr. Foster then asked Mr. Stafford to update the Board on the Stoney Creek Park well project. Mr. Stafford reminded the Board that the well driller had not obtained sufficient pressure from the first test well, and added that he anticipated that work on the second test well would begin the next week. Mr Stafford presented Pay Estimate No. 1 for the well project, attached as **Exhibit “S”**, noting that this covered the cost of the first well only, at a base charge of \$17,860 plus additional drilling costs of \$1,560. He stated that the well had been cased and recommended approval of the Pay Estimate. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the Pay Estimate. Mr. Stafford stated that the second Stoney Creek Park well had been sited, and the Wildflower Park well had not yet been scheduled. Mr. Foster then requested authority to increase the size of the well, if required, as outlined in the memo attached as **Exhibit “T”**. Director Richter moved that this authority be granted to the Park Subcommittee, with a not to exceed figure of \$21,375 for the well. At this time, Director Martinez arrived at the meeting. Director Gray then seconded the motion and the Board voted to approve the motion, with Director Martinez abstaining.

Director Foster then reviewed the proposal for plugging the abandoned well attached as **Exhibit “U”** and recommended approval. Director Richter moved approval of the proposal and, upon second by Director Martinez, the motion was unanimously adopted.

Mr. Foster then advised the Board that he, Director Martinez, Wells Branch staff and TexaScapes’ staff had attended a meeting on the wet pond maintenance plan, and noted that Wells Branch was in the process of providing a refined schedule to perform a portion of the work, which would reduce the cost below that initially projected. He reviewed the cost estimate from TexaScapes, attached as **Exhibit “V”**, and stated that this was less than initially projected. He recommended approval of the proposal. Mr. Foster then presented the additional services proposal attached as **Exhibit “W”** for his firm’s work on this project. Director Martinez noted that he had requested that Mr. Foster put this information together, as it was a multi-phased project and he felt engineering oversight was needed. Director Martinez moved approval of the TexaScapes proposal and the Kimley-Horn proposal. Director Richter seconded the motion, which was unanimously adopted.

Mr. Foster then presented photographs showing the staining of the masonry fence along Howard Lane, noting that this older fence was lighter in color than the new fence in the Wildflower area. He presented the proposal attached as **Exhibit “X”** which he explained would make the fence match the new fence on McCallen Pass and Heatherwilde Boulevard. Director Richter moved approval of the proposal. Director Martinez concurred with the recommendation and seconded the motion, which was unanimously adopted.

Mr. Foster then presented Change Order No. 4 for the fence project, attached as **Exhibit “Y”**. He stated that this was a clean-up item, noting that it was originally contemplated that the fencing contractor might be able to use some stockpiled fence,

but it was not usable, because the color did not match. He recommended approval of the Change Order in the amount of \$5,180. Mr. Foster also recommended approval of Invoice No. 6469, attached as **Exhibit "Z"**, noting that it was less retainage and that the final pay estimate including retainage would be presented for approval at the next meeting if the final close-out documents were provided before that time. Director Richter moved approval, as recommended. Upon second by Director Gray, the motion was unanimously adopted. Mr. Foster stated that his office was finalizing the District's bond application and contemplated submitting the application the first week in December. He confirmed that the annual Ms4 update had been submitted to the Texas Commission on Environmental Quality on October 28. Mr. Foster then reported that his company had completed the Wastewater Master Plan report and reviewed the executive summary with the Board. Director Campbell noted that, on a planning level, it had been determined that some additional items desired by the Board, including a storage area, could not be incorporated into the lift station site since there was not sufficient space and the generator was the primary requirement. Mr. Foster then presented the Additional Services Addendum attached as **Exhibit "AA"**, noting that, as a result of an October 30 line failure incident, there was additional force main repair work contemplated. Director Campbell stated that he felt this was a necessary part of the project at the Low Flow Lift Station as there had already been two breaks in this area. Director Martinez moved approval of the proposal and, upon second by Director Richter, the motion was unanimously adopted.

Director Campbell stated that the Board would next discuss park development matters and recognized Mr. Stafford, who reported that the pavilion construction was proceeding well and that he was very pleased with the work. Director Richter stated that she was also pleased with the work. Mr. Stafford stated that the disc golf course was about complete. Mr. Stafford then recommended approval of Pay Estimate No. 3 for G Creek attached as **Exhibit "BB"**. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the Pay Estimate. Mr. Stafford then presented Change Order No 2, for the addition of granite trail and Change Order No. 3 for additional stone veneer, attached as **Exhibits "CC"** and **"DD"**, respectively. Director Richter stated that the Park Subcommittee had requested the Change Order for the additional stonework because four of the columns were covered in stone and the other four were not. She stated that they also recommended adding some additional trail to the first T-box from the parking lot as well as a proposal from Mr. Foster attached as **Exhibit "EE"** to process the approval of the related site plan change through the City. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the change orders and the proposal.

Director Campbell stated that the Board would next discuss the District signage master plan and advised the Board that, initially, the Signage Subcommittee had intended to install all of the entry monuments as a first step, but there were still some location issues and so the Subcommittee now recommended replacing the existing monuments and, as additional locations were obtained, adding other entry signs. He noted that the District did not own the property at the entrance to Wildflower. Director Martinez questioned retaining the District signage at the gas station located at the corner of Tudor House and Dessau as he was not convinced this was the best location. Director Campbell recommended that the Board obtain an inventory of existing entry signs, and then order the replacement signs. Director Richter agreed to request that

Wells Branch provide a list of the existing signage locations and, after discussion, upon motion by Director Richter and second by Director Gray, the Board voted unanimously to authorize the Signage Subcommittee to purchase replacement entryway signs for the existing signage locations at a cost not to exceed \$25,000.

Director Campbell then recognized Mr. Douthitt for purposes of receiving a report from the District's bookkeeper. Mr. Douthitt presented the updated cash activity report attached as **Exhibit "N"** and reviewed it with the Board. He also requested approval of the transfer from the JP Morgan Chase Operating Account to JP Morgan Chase Manager's Account in the amount of \$10,200, the transfer from the Logic Tax Account to Logic General Operating Account in the amount of \$3,377.88, the transfer from the TexPool Park Account to JP Morgan Chase Park Account in the amount of \$300,000, and the renewal of the District's existing Sovereign Bank CD at an interest rate of .85%. Mr. Douthitt then called the Board's attention to the checks for invoices received after the date of the packet. Mr. Douthitt explained that the Crossroads' invoice had been corrected due to a billing error related to the markup charge. He reminded the Board that it had authorized release of the final invoice payment to SWWC Services, but explained that he had noted a billing overcharge and so had held the payment and recommended voiding the original check and re-issuing the check without those service orders. Mr. Douthitt noted that, after Director Campbell had requested that the deposit checks be compared to the list of customers against whom the District had judgments at the last meeting, one deposit refund had been identified as going to a customer who owed the District funds for a judgment, and stated that he would forward the information to Ms. Littlefield for direction on how to proceed. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the payments, transfers and CD renewal. Director Campbell stated that the pass-through amounts for external vendors were one of the things he had questioned when he reviewed the bills and that he had requested back-up for the charges. He noted that he felt that, unless the invoices were provided, there was an insufficient paper trail for audit purposes. He stated that, following his request, he had been advised that the mark-up by Crossroads had been overstated. Director Campbell stated that the invoice had been corrected. Mr. Douthitt stated that Mr. Anderson had agreed to provide the backup with future invoices. Director Campbell stated that this would be an official policy of the District going-forward. Director Campbell stated that he would continue to review the invoices until the full Board was in place and a new Board member representative was appointed to handle this. Director Gray stated that he would be interested in doing this. Ms. Littlefield agreed to put subcommittee assignments on the agenda for the next meeting.

Director Campbell then stated that the Board would receive a report from the District's general manager and recognized Mr. Anderson. Mr. Anderson reviewed his report and presented the write-off list attached as **Exhibit "FF"**. Upon motion by Director Martinez and second by Director Gray, the Board voted unanimously to approve the write-offs. Mr. Anderson advised the Board of a failure in the force main near the low flow lift station, noting that this had appeared near the prior failure. He stated that the engineers were recommending going with a ductile iron pipe, which would last longer, and also placing it in a more shallow location which would make repairs much easier. Director Richter stated that the Park Subcommittee didn't recommend revegetation until the upgrade was completed. Mr. Foster commended

Crossroads for their timely and efficient work on this repair. Director Campbell inquired whether a more shallow location for the pipe would increase susceptibility of the pipe to movement due to weather-related changes. Mr. Foster stated that the City had minimum requirements, and that six to eight feet was typical. He stated that he felt additional cover had been added over time, which had led to the fourteen feet of cover which had been encountered in this situation. Mr. Douthitt then stated that Mr. Carlton of Ms. Littlefield's office had contacted him after this incident and indicated that a part of the cost of this would be backbilled to the new owners of the mobile home park.

Director Campbell then recognized Ms. Littlefield for purposes of receiving the attorney's report. Ms. Littlefield confirmed that she had provided Director Gray with a release for the charity fun run, which she understood had gone well, and had provided Mr. Douthitt with a list of the judgments held by the District, as requested by the Board at the last meeting. She presented the foreclosure report prepared by Ms. Allen's office, noting that there had been a significant increase in foreclosures the prior month. She then presented the Declaration of Drainage Easement and Restrictive Covenants Regarding the Maintenance of Drainage Facilities for Lakes at Northtown, Section 1, attached as **Exhibit "GG"**, and explained that this would provide the District an easement for the pond as well as assurance that the homeowners association ("**HOA**") would maintain the pond, and also provide the District with the right to maintain the pond and backcharge the HOA if it failed to do so. Ms. Littlefield advised the Board that KB Home had requested that the Board approve the partial assignment of the Utility Construction Agreement for the Lakes residential area to KB Home and presented Amendment No. 2 to Utility Construction Agreement between Northtown Municipal Utility District and NWC Howard & I35, Ltd. (Residential Area) attached as **Exhibit "HH"**. Upon motion by Director Gray, the Board moved approval of Amendment No. 2 and, upon second by Director Richter, the motion was unanimously adopted.

Director Campbell then stated that the Board would discuss the District office, meeting place and storage. Director Richter distributed a summary of possible office locations and reviewed it with the Board. She explained that she recommended that the Board schedule a special meeting early in December to develop job descriptions and benefits and to refine the District's space requirements. The Board discussed the December meeting schedule and agreed to hold the Board's regular meeting on the usual meeting date, December 28, and to schedule a special meeting in the interim to discuss the District office, meeting place and storage and staffing and facilities for administrative services, parks maintenance and covenant enforcement as well as the appointment of a replacement Board member. Director Campbell thanked Director Richter for the wealth of information she had assembled.

Ms. Littlefield requested Board approval of the Agreement Regarding Street Lighting Service for the Lakes at Northtown Section 4 attached as **Exhibit "II"**. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the Agreement.

Director Campbell then noted that several individuals had come in since the beginning of the meeting and stated that the Board would like to talk to any resident present who wished to be considered for appointment to fill the vacancy on the Board.

The Board then discussed with Ms. Haught, Mr. Rivaldo and Mr. Amaro their interest in serving on the Board.

Mr. Rivaldo then stated that, when he had read that the City of Austin was going to be collecting and paying a franchise fee to certain neighboring cities, he had raised the issue with Ms. Littlefield, but now understood that a franchise fee wasn't actually being directly charged to the District residents nor being paid to the District. He noted that he also understood that the District wasn't actually a part of the City of Pflugerville, even though the residents had Pflugerville mailing addresses. He asked that this topic be reflected in the minutes.

Director Campbell asked Mr. Hill if he had any interest in the position on the Board. Mr. Hill stated that he preferred to participate as a member of the audience.

There being no further business to come before the Board, upon motion by Director Richter and second Director Gray, the Board voted unanimously to adjourn.

(SEAL)

Alex Martinez, Secretary
Board of Directors