

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

January 22, 2013

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 January 22, 2013, 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; Deputy Keith Kinnard of the Travis County Sheriff's Department; Richard Fadal of TexaScapes, Inc.; Scott Foster of 360 Professional Services, Inc.; Alan Rivaldo and Kathy Haught, residents of the District; and Sue Brooks Littlefield of Armbrust & Brown, PLLC. Cheryl Allen of Southwest Securities; Ryan Perry, representing Ms. Doris Baker, the owner of the property adjacent to the District; and Kathryn Loyaza, representing Village@Northtown, Ltd., arrived later.

Director Campbell called the meeting to order at 5:45 p.m. and reminded those present that this would be a short meeting. He stated that the Board would first receive resident communications and Board member announcements. There being none, Director Campbell stated that the Board would next discuss the District's Unlimited Tax and Revenue Refunding Bonds, Series 2013. Director Campbell noted that the District's financial advisor was not present and, as he had not been contacted about the refunding, he did not believe any action was needed on this item.

Director Campbell stated that the Board would next consider approving the consent items on the Board's meeting agenda: the minutes of the December 17, 2012 Board meeting and the Supplement to the Agreement Regarding Streetlighting Services with Oncor Electric Delivery Company attached as **Exhibit "B"**. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the consent items.

Director Campbell stated that the Board would next receive a report on the audit of the District's financial statements for the fiscal year ended September 30, 2012. He advised the Board that the District's auditor, Mr. Brian Toldan, had presented the audit

report to the Board's audit subcommittee, consisting of himself and Director Gray, and that the auditor's opinion was a clean or unqualified opinion. He and Director Gray both stated that they were very happy with the District's auditor, McCall Gibson Swedlund & Barfoot, and felt Mr. Toldan's presentation was excellent. Director Gray noted that the auditor was very thorough. Mr. Douthitt and Mr. Anderson confirmed that the auditor had checked the District's internal controls during site visits at both of their offices. Director Gray reported that Mr. Toldan had stated that the District's fund balances were healthy and that he was pleased with the controls the Board had in place. Director Campbell stated that the audit subcommittee appreciated that the auditor completed its work in a timely manner, which allowed the audit subcommittee to review the report in advance of the Board meeting. Director Campbell stated that subcommittee recommended approval of the audit report. Upon motion by Director Gray and second by Director Richter, the Board voted unanimously to approve the audit report attached as **Exhibit "C"** and the client representation letter attached as **Exhibit "D"**, and to authorize filing of the audit report.

Director Campbell stated that the Board would next discuss and review the District's Written Procedures for Post Bond Issuance Federal Tax Compliance (the "Procedures"). The Board reviewed the existing Procedures, and Ms. Littlefield advised the Board that no changes to the Procedures were recommended by the District's bond counsel at this time. She reminded the Board that the bulk of responsibility for compliance with the Procedures had been delegated to the District's bookkeeper, Bott & Douthitt. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to adopt the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "E"**.

Director Campbell then recognized Mr. Douthitt for purposes of receiving the bookkeeper's report. Mr. Douthitt presented his updated cash activity report, attached as **Exhibit "F"**, and reviewed it with the Board. He reviewed the funds transfers that he was recommending, as summarized on page 1 of his report. He pointed out that the District had seven bond payments coming due in February and requested approval of the payments as outlined in his report. Mr. Douthitt then reviewed the disbursements that were being presented for approval, noting that these included the annual payment to the Texas Commission on Environmental Quality for the District's regulatory assessment fee. Mr. Douthitt stated that the Crisp Lab payment was for asbestos testing, which was conducted by the Texas Commission on Environmental Quality ("TCEQ"). Mr. Douthitt then reviewed the manager's checks that had been written since the last meeting as set out in his report. He reported that the District was still in a favorable position with regard to its budget. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the payment of the bills and invoices, transfers and bond payments, as presented.

Director Campbell stated that the Board would next discuss the City of Austin's wholesale water and wastewater rates and the related rate challenge. Director Campbell reported that the District's rate challenge subcommittee had met with Mr. Wilburn, the attorney handling the matter, who had advised them that the fund transfer items appeared to be a reasonable basis for a rate challenge. He stated that, if there were no questions from the Board, the subcommittee recommended proceeding with participation in the joint rate challenge and authorizing a budget within which the subcommittee could continue to move forward on the District's behalf. He stated that

Mr. Wilburn assumed that the challenge would be a lengthy procedure. Director Richter then moved that the Board authorize moving forward with the rate challenge, with the subcommittee being authorized to spend funds within a budget of \$25,000 annually. Upon second by Director Martinez, the motion was adopted, with Director Gray out of the room at the time of the vote and all of the other Directors voting in favor of the motion.

Director Campbell then recognized Deputy Kinnard for purposes of receiving the security report. Deputy Kinnard reviewed his report with the Board, and provided an update on the status of criminal activity in and around the District. He advised the Board that the County's contracts for security patrols were up for their annual renewal, and noted that the County had raised the price for use of a County patrol vehicle, but that the price for his vehicle had not been affected. He stated that this increase would affect the cost of the vehicle used for the canine patrols. After discussion, Director Gray moved that the Board approve the Secondary Employment of Law Enforcement Application attached as **Exhibit "G"**; the Agreement with Regard to Use of Vehicle(s) in Connection with Off Duty Employment of County Peace Officer(s) attached as **Exhibit "H"**; and the Contactor Acknowledgement for Use of Officer-Owned Emergency Vehicles or Police Bicycles attached as **Exhibit "I"**. Upon second by Director Richter, 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 on her directives, noting that she had distributed public safety tips in English and Spanish as requested by the Board at the last meeting. Director Campbell requested a copy of the tips for the District's website, and she agreed to provide them to him. Ms. Oliver advised the Board that there had been a recent increase in graffiti, and reviewed several of those "tags" with the Board. She reported that the District had sold four of the six surplus ceiling fans, and that she would repost the remaining two fans. She then presented the purchase request for decomposed granite attached as **Exhibit "J"**. Upon motion by Director Richter and second by Director Amaro, the Board voted to approve the purchase, with Director Martinez out of the room at the time of the vote and all of the other Directors voting in favor of the motion. Director Campbell then recommended the purchase of additional stamps before the price went up. The Board discussed the anticipated increase in the cost of postage and, upon motion by Director Richter and second by Director Gray, voted to authorize the purchase of \$500 worth of stamps, with Director Martinez out of the room at the time of the vote and all of the other Directors voting in favor of the motion.

Director Campbell stated that the Board would next receive the landscape maintenance report and recognized Mr. Fadal. Mr. Fadal presented Dwarf Yaupon Holly as the plant of the month for December and the Knock Out Rose, which he stated was easy to maintain and a hardy bloomer, as the plant of the month for January. Mr. Fadal then reviewed his report, attached as **Exhibit "K"**, and explained that his crews had repaired and replanted around the Stoney Creek entry park sign. He stated that he would be presenting reforestation and screening planting proposals to the Parks Subcommittee shortly. Director Richter advised the Board that there had been an emergency situation requiring tree removal at the MeadowPointe Pond, and

recommended approval of the tree removal proposal attached as **Exhibit “L”**. Upon motion by Director Gray and second by Director Amaro, the Board voted unanimously to approve the proposal.

Director Campbell stated that the Board would next receive the engineering report. Mr. Foster presented his report, attached as **Exhibit “M”**, and advised the Board that he had received the City of Austin acceptance letter for the Lakes at Northtown Section Five. He presented Pay Estimates No. 4 and 6, attached as **Exhibits “N”** and **“O”**, and stated that the developer’s pay requests were not in order and that this would affect the timing of the District’s acceptance. He pointed out that the pay estimate amounts had been revised and recommended approval. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to do so. Mr. Foster reported that Wildflower playscape project looked nice and that he anticipated recommending final acceptance at the February Board meeting. Mr. Foster stated that he was still working on the surplus funds application with Ms. Allen, and that the updated MS4 permit application was in process. Mr. Foster stated that he had had several conversations with property owners with regard to possible easement locations for the force main project and expected to have a final recommendation at the February meeting.

Director Campbell then recognized Mr. Perry, who explained that he was trying to help Doris Baker, the owner of five acres adjacent to the District, to sell her property, and would like to explore whether District would be interested in annexing the property. Director Campbell stated that there was not a lot that Board could discuss on this topic, since it was not on the agenda, but suggested that Mr. Perry contact Ms. Littlefield’s office and, if he wished to do so, request that an item be placed on the next meeting agenda.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager and utility operator’s report. Mr. Anderson reviewed his report, attached as **Exhibit “P”**. He pointed out that the District had three accounts more than 90 days past due, all of which had been disconnected, and requested approval of write-off list attached as **Exhibit “Q”**. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the write-offs as recommended. Mr. Anderson reported that the Academic House, which Director Campbell had asked about at the prior meeting, had been owned by an organization that helped people with drug or alcohol addictions which had, since then, let the house go back to the bank. He stated that he had talked to the customer and believed they had paid the past-due balance. Director Richter asked him to verify this and report back to the Board at the next meeting.

Director Richter reported on that there had been two purchases by the Park subcommittee, which she stated were within its authority and so no action was needed.

Director Campbell stated that the Board would next receive reports from developers’ and landowners’ representatives. He recognized Ms. Loayza, who distributed the revised land plan attached as **Exhibit “R”** on behalf of the Village @ Northtown, Ltd. She advised the Board that there was a potential sale to a multi-family developer, but the prospective purchaser wanted the retail tract as well in order to allow access to John Henry Faulk as well as Wells Branch Parkway. She explained that the

proposed change relocated the retail and stated that the change would not affect the acreage allocated to each use or the intensity of the project. Ms. Loayza reminded the Board that the retail uses were defined consistently with those authorized in the City of Austin, and could include office use. Ms. Loayza also explained that the proposal would include joint use access to limit the driveways for the multifamily site behind the proposed relocated retail site, and that they had added a note to the land use plan that stated that. She stated that she had met with the Board's subcommittee and hoped for Board action at tonight's meeting. The Board discussed concerns about approving a further speculative site plan and the fact that piecemeal revisions undermined the value of having a land use plan. The Board also expressed concern regarding the proposed location of the retail use and providing the access to a large multi-family tract through the retail uses. Mr. Foster stated that the change could also affect capacity, as the developer proposed to move multifamily from one basin to another one and noted the limitations on service from the low flow lift station. Director Amaro added that he was concerned regarding the landscaping, the height of buildings and other issues that the Board had discussed with other multifamily developers, as well as the compatibility of the uses to neighboring single-family residential uses. After discussion, the Board agreed to have a Subcommittee meeting as soon as Mr. Foster could look at the capacity issue and to schedule a special Board meeting if required.

Director Campbell then stated that the Board would consider approving the Agreed Order with the TCEQ related to the force main break attached as **Exhibit "S"**, and the related payment. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to authorize execution of the Agreed Order and to approve the related payment.

Ms. Allen then arrived at the meeting and discussed an opportunity for a debt service savings through a bond refunding, as summarized on **Exhibit "T"**. After discussion, Director Campbell suggested approving the application to City, since this imposed no obligation to proceed on the Board, but provided the opportunity for a savings. Upon motion by Director Amaro and second by Director Martinez, the Board voted unanimously to approve the Resolution Authorizing Application to the City of Austin for Approval of Proposed Unlimited Tax and Revenue Refunding Bonds, Series 2013 attached as **Exhibit "U"**.

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

Date: _____.

(SEAL)

Alex Martinez, Secretary
Board of Directors