

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

January 25, 2011

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 25, 2011, 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:

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

and all of the Directors were present, except Director Gray, thus constituting a quorum. Also present at the meeting were Deputy Keith Kinnard of the Travis County Sheriff's Department; Mona Oliver of Wells Branch Municipal Utility District; Robert Anderson of Crossroads Utility Services, LLC ("*Crossroads*"); Allen Douthitt of Bott & Douthitt, PLLC; Richard Fadal of TexaScapes, Inc.; Scott Foster of Kimley-Horn & Associates, Inc.; Nathan Krupke of Belt Harris Pechacek, LLLP, Kathy Haught and Lee Hill, residents of the District, and Sue Brooks Littlefield of Armbrust & Brown, PLLC. Ronnie Stafford of TBG Partners arrived later.

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 December 28, 2010 Board meeting. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the minutes.

Director Campbell then stated that the Board would receive resident communications and Board member announcements and recognized Ms. Haught. Ms. Haught requested clarification about the process for addressing the Board during its meetings, noting that she appreciated the Board's informality, but would like to follow the appropriate guidelines. Director Campbell stated that the Board appreciated public input and that he would be happy to recognize her if she had a question during the course of the meeting. He stated that the resident communications segment was to allow public input on items that were not necessarily on the agenda, or items that were important to a resident that the resident wanted to draw attention to. Director Campbell asked Ms. Littlefield to confirm that Ms. Haught had been added to the agenda distribution list.

Director Campbell stated that the Board would next receive a presentation of the audit of the District's financial statements for the fiscal year ended September 30, 2010 and recognized Mr. Krupke. Mr. Krupke presented the audit report attached as **Exhibit "B"**. He called the Board's attention to the opinion included in the audit report, noting that his firm's opinion was a clean or unqualified opinion, and met all required auditing standards. He stated that his firm had done testing of Crossroads' billing processes and that he believed they had an excellent organization. Mr. Krupke then reviewed the District's income statement, pointing out that the District's ending fund balance was \$7.5 Million. He pointed out that this was a very healthy fund balance, representing a year to 18 months of expenses and stated that the Board was to be commended for that. Mr. Krupke inquired if the Board had any questions about the report. Director Campbell stated that he believed the Board had provided feedback. Director Martinez stated that he was not comfortable with the short time allowed for the Board to review the report, noting that the Board would prefer an opportunity for the Audit Subcommittee to review the report before it was presented. The Board agreed. Mr. Krupke stated that he appreciated the opportunity to work with Bott & Douthitt, PLLC, which was an excellent firm to work with. Ms. Littlefield then presented the representation letter, attached as **Exhibit "C"**, and reviewed it with the Board. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the representation letter and the audit report and to authorize filing of the audit report.

Director Campbell then recognized Deputy Kinnard for purposes of receiving a report regarding District security. Deputy Kinnard requested that the Board approve the Security Services Agreement attached as **Exhibit "D"**. Director Richter moved approval of the contract. Upon second by Director Martinez, the Board voted unanimously to approve the contract. Deputy Kinnard then stated that he had received a complaint from a resident regarding the lighting between the Brookfield bridge and the new pavilion. He stated that his deputies were monitoring the situation. Director Richter stated that she believed the pavilion parking lot lighting would be sufficient and Deputy Kinnard concurred. He stated that the increased resident activity in the park by the disc golfers and dog walkers had reduced the gang-related activity in the area. He noted that two K-9 units were using the dog park for training purposes. Director Richter asked if he had observed any problems from the disc golfers and Deputy Kinnard stated that he had not and added that the parking lot was almost full much of the time. Deputy Kinnard also reported that the Health Department was moving forward to address the removal of the vehicles from the alley on Wild Senna. Director Richter moved approval of the checks to the Sheriff's Department as set forth on the cash activity report attached as **Exhibit "E"**. Upon second by Director Martinez, the Board voted unanimously to do so.

Director Campbell stated that the Board would next receive a report under the Interlocal Agreement with Wells Branch Municipal Utility District and recognized Ms. Oliver. Director Richter expressed concern that the pond maintenance work that was supposed to be complete by the end of February was not complete and she had not gotten a satisfactory status report. Ms. Oliver stated that Mr. Robles had reported that he was working on several of the assigned projects which he expected to have completed by the end of the week. She also stated that the mulch had been spread and the power washer had been purchased. Director Richter stated that the gabion work had now been

completed in an area which had been subject to washout and thanked Mr. Foster for confirming that this had been done correctly. Director Richter stated that the mulch by the Wildflower fence also needed to be moved. Director Richter suggested that, if there was any impediment to completing this, Ms. Oliver obtain a proposal for the equipment needed to move it and have it approved by the Park Subcommittee. Director Richter reported that purchase of an ATV would be deferred until the February Board meeting. Ms. Oliver then presented information regarding a covenant violation at 13800 Cambourne, noting that there had been repeated problems with lack of maintenance at this property. Director Martinez stated that it was a problem residence, but that he wondered if there was some difficulty with the terminology in the covenants. Ms. Littlefield advised him that the reference to "improvement" in the covenants actually covered all structures, including the residence, on the lot. Director Richter stated that she didn't like letting people "work the system", but had some concern with pursuing legal action based on the relative insignificance of this particular violation. Director Amaro stated that it appeared that the resident was not interested in compliance. After discussion, Director Richter moved that the Board refer the matter to Ms. Littlefield's office for further action and, if her office did not receive a firm commitment to come into compliance, authorize her to proceed with legal action with regard to all pending issues. Upon second by Director Amaro, the motion was unanimously adopted.

Director Campbell then stated that the Board would receive the landscape maintenance report and recognized Mr. Fadal. Mr. Fadal stated that maintenance was going smoothly and, by the end of the month, Spring activities would be underway. He stated that his staff had completed the dog park screening planting and had addressed punch list items on the Parkway Ponds 1 and 2. Director Richter advised the Board that the Park Subcommittee was working on a revision of the TexaScapes contract and requested that it be placed on the agenda for the February meeting. Ms. Littlefield agreed to do so. Mr. Fadal then presented Proposal No. 7615 for Stoney Creek lot trees and dumpster screening, attached as **Exhibit "F"**. He noted that he was planning to use Texas native trees for the planting, including Sycamores and Monterrey Oaks. Director Martinez stated that this planting was planned as part of the "crown jewel" of the pavilion, and the Park Subcommittee anticipated a higher quality planting. He added that the Park Subcommittee had also requested that the planting tie into the landscaping at the dog park. Mr. Fadal then presented Proposal No. 7885 for dead tree removal, attached as **Exhibit "G"**. He stated that there were 198 dead trees identified in the proposal, which covered the worst of the trees in the park and along the trail, and added that most of these trees had been dead for a long time and had died of natural causes including flood, drought, insect and type of tree. Director Martinez stated that, as residents were being invited into areas that they had not accessed before, he felt it was important to clean the area up and make it safe as well as attractive. He added that he felt the District also needed to start looking at replacing trees which had died and Director Richter agreed. Mr. Fadal stated that this project would include trees and understory as well as grasses. Director Campbell asked what would be burned in the fireplace at the pavilion. Director Richter stated that nothing would be, noting that the fireplace was locked and the fireplace had been installed for aesthetic purposes only. Mr. Fadal stated that some of the hardwoods could be relocated to this area if the Board wished to have firewood. The Board considered the potential hazards of doing so and declined the offer. Upon motion by Director Martinez and second by Director Richter, the Board voted unanimously to approve the proposals.

Director Campbell stated that the Board would next receive a report from the District's engineer and recognized Mr. Foster. Mr. Foster advised the Board that all of his directives had been completed. He noted that he anticipated that the developer would request District acceptance of Lakes at Northtown Section 4. He also stated that he had received calls over the last two months from two potential developers. Director Campbell noted that the Board required coordination with the District on the projects' restrictive covenants and the pond maintenance covenants. Mr. Foster agreed to add these items to his comment checklist. Mr. Foster stated that the park wells were substantially complete. He stated that TexaScaapes had completed its portion of the pond maintenance work, but expressed concern that the portion to be completed by Wells Branch was behind schedule. He agreed to coordinate with the Park Subcommittee on a plan to move forward. Mr. Foster stated that the plan for the low flow lift station project had been submitted to the County, and he was awaiting a submittal date for the City of Austin. He stated that he anticipated the lift station being under construction by summer. Mr. Foster then represented the proposal attached as **Exhibit "H"**, relating to preparation of the District's Water Master Plan and preparation of water/wastewater maps for the District. Director Campbell noted that he felt it was very difficult for the District's engineer and operator to perform their jobs without these types of tools in hand. He noted that action had been deferred on these tasks because the District had needed to focus its immediate energy on addressing the low flow lift station and force main issues. Director Richter stated that she felt these were essential tools and moved approval of the proposal. Director Martinez agreed, noting that these were important for planning purposes. Director Martinez asked how updates of the maps would be handled. Ms. Littlefield suggested that, as new projects came in, the applicant be required to pay for any revision of the plan and maps. The Board concurred, and Ms. Littlefield agreed to bring a rule revision to the next Board meeting. Director Amaro seconded Director Richter's motion, which was unanimously adopted.

Director Campbell then stated that the Board would discuss park matters and recognized the Park Subcommittee. Director Richter asked that the MeadowPointe fence project be placed on the agenda for discussion at the next meeting, noting that this fence was along Howard Lane. Mr. Foster agreed to bring maps to the next meeting. Director Martinez then advised the Board that the picnic tables and benches at Stoney Creek Park were in bad condition. The Board agreed that the existing picnic tables need to be replaced with the ones the District had purchased previously and were in storage. Director Richter noted that one picnic table needed to be ADA accessible. Mr. Stafford then presented Pay Estimate No. 5 from G. Creek for the park pavilion in the amount of \$42,716.71, attached as **Exhibit "I"**, and recommended approval. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the Pay Estimate. Mr. Stafford stated that the major remaining item for completion of the pavilion was in the hands of City of Austin Energy. Mr. Anderson stated that, as soon as the District's water and wastewater invoice was paid, the City had indicated it would process the approval. Mr. Stafford stated that he would, as a final step, coordinate the ADA accessibility inspection and certification for the pavilion. Director Richter noted that there would need to be a final walk-through with the Park Subcommittee, and Mr. Stafford confirmed that this would occur. Mr. Stafford stated that G. Creek was beginning the work on the change order-related modifications. He stated that the playscape would begin being installed on January 31. Director Richter

noted that the work area needed to be secured, and stated that she was disturbed that this had not been attended to without it being called to G. Creek's attention.

Director Campbell then noted that the Signage Subcommittee had previously requested pricing for four entry monuments. He also noted that Mr. Foster had confirmed that the District could relocate the signage at Tudor House, across the street from its current location by the retail project. He stated that the Subcommittee was concerned because the pricing had come back considerably higher than in the original proposal. Mr. Stafford explained that the original price had just been for the graphic sign, and did not include the masonry or installation, and that it was six months old. Director Campbell reviewed the proposal attached as **Exhibit "J"** and noted that, based on the increase in cost, he felt the District would need to seek bids for the work. Mr. Stafford stated that his company had provided a signage master plan and not construction documents. Ms. Littlefield stated that she felt the Subcommittee had clearly identified the required scope of work. Mr. Stafford agreed to discuss the problem in-house and come up with a solution.

Director Campbell stated that the Board would next receive the bookkeeper's report and recognized Mr. Douthitt. Mr. Douthitt presented the bookkeeper's report attached as **Exhibit "E"** and requested Board approval of the bond payments as listed on the first page of his report. He also requested approval of the transfers from the JP Morgan Chase operating account to the JP Morgan Chase manager's account in the amount of \$7,400, from the Logic operating account to the JP Morgan Chase operating account in the amount of \$300,000, the Logic park account to the JP Morgan Chase park account in the amount of \$200,000, the Logic tax account to the Logic operating account in the amount of \$848,633.44 and from the Logic tax account to the Logic debt service account in the amount of \$1,400,000. Mr. Douthitt then reviewed the checks listed in his report, and noted that the Check No. 4025 to Director Gray would need to be voided due to his absence from the meeting. Mr. Douthitt explained that two payments to the City of Austin were reflected and explained that the City had been billing almost two months in arrears, but had now caught up. He called the Board's attention to the rent payment to Bailard North Austin I, Ltd. and the inspection fee to Savvy Property Inspections, which he noted related to the Wells Branch Tech Center lease space, and reviewed the payments which had been made out of the manager's account since the date of the last meeting. Director Campbell recommended approval of the payments as presented. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the payments, transfers and bond payments, with the exception of the void noted and the payments previously approved to the Sheriff's Department.

Director Campbell then recognized Mr. Anderson for purposes of receiving a report from the District's general manager. Mr. Anderson reviewed the operations report attached as **Exhibit "K"**, noting that the overall water loss was under 4%, which was excellent. He presented the write-off list attached as **Exhibit "L"** and requested approval. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to do so. Director Campbell asked about the status of Crossroads' implementation of the AVR system and Mr. Anderson stated that AVR was revising its software and explained that, as soon as the software revisions were complete and the

system tested, it would be made available to the District's residents. He stated that he expected it to be implemented in February.

Director Campbell then stated that the Board would receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield stated that the lease negotiations had been satisfactorily completed and that she would obtain Director Campbell's signature and hold the lease pending the landlord's and its lender's approval. The Board discussed outstanding items, including signage, relating to the lease. Ms. Littlefield agreed to coordinate the inspection by Savvy Property Inspections.

Director Campbell then stated that the Board would discuss the District's office, meeting place and storage requirements and recognized Director Richter, who presented the proposal from Elite Systems attached as **Exhibit "M"**. Director Amaro asked if unique security codes could be assigned to those who had keys to the premises, and she responded that she believed these could be provided. After discussion, Director Richter moved that the Board authorize her to move forward with the installation of a security system at a cost not to exceed \$1,100, with unique codes for the users, the addition of glass breakage sensors, and also to obtain monitoring service with reports on the users' access by code. Upon second by Director Martinez, the Board voted unanimously to do so.

Director Richter then reviewed the list of proposed purchases to supply the office attached as **Exhibit "N"**. Ms. Oliver stated that the ACT supplier in Austin had agreed to supply licenses for the software at a cost of \$323.99 per license and the District could buy them as needed. She stated that the supplier would also provide the system set-up at a cost of \$125 per hour, not to exceed two hours, to transfer the data on file with Wells Branch and to set up the templates that were needed. The Board discussed establishing a budget for office supplies, including a lap top, and having the Subcommittee identify options for the furniture for review at the February meeting. The Board also directed that a petty cash amount be established by Mr. Douthitt out of the manager's account in the amount of \$500. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to authorize a \$7,000 budget for office supplies and a \$500 petty cash account.

Director Campbell stated that the Board would next discuss District staffing. Director Richter noted that the next hiring decision would be for a maintenance supervisor. She noted that she had the job description for the existing position and wondered if the Board wanted to interview or if Ms. Oliver would be authorized to implement the selection process once she was on staff. Director Campbell stated that he would like to take the opportunity to announce to those present that Ms. Oliver had been hired as the District's on-site manager and covenant administrator and that the Board was very happy with this decision. The Board then discussed the protocol for hiring additional staff. Director Amaro stated that he expected that the manager would make those hiring decisions and the Board would look to the manager to be responsible for her decisions. Director Martinez expressed concern of the impact if there was a change in the manager. Mr. Hill stated that, in the corporate world, the Board hired the CEO and the CEO hired the balance of the staff. Director Martinez concurred with this analysis. Director Richter moved that the salary range for the park supervisor position

not exceed \$50,000. Director Martinez seconded the motion which was unanimously adopted.

There being no further business to come before the Board, the meeting was adjourned at 8:10 p.m.

Date: _____.

(SEAL)

Alex Martinez, Secretary
Board of Directors