

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

August 28, 2012

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 August 28, 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 and Alan Rivaldo, residents of the District; 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 and Board member announcements. Director Richter announced that a CASE breakfast would be held on September 21st and that the speaker would be a representative of Davey Tree Service, who would address the members about the effects of the drought and the best trees for the Central Texas area. Mr. Hill reported that the elementary school would be having its grand opening on October 13th and encouraged some of the Board members to attend. He also reported that he had met with representatives of the City about the condition of the property located within the City limits at the entry to the District and stated that he believed they were now committed to doing a better job of maintaining it. He noted that he had explained his "broken window" theory -- that high grass led to dumping -- and that this had proven true in this case, as a mattress had been dumped in the median after his initial complaint.

Director Campbell then stated that the Board would consider approving the items on the Board's supplemental meeting agenda. Ms. Littlefield presented the Certification of Unopposed Status of Candidates for November 6, 2012 Director Election attached as **Exhibit "B"** and reviewed it with the Board. Director Campbell explained that, as there

were no contests, the District could declare him and Director Amaro elected as of November 6, 2012. After discussion, upon motion by Director Richter and second by Director Gray, the Board voted unanimously to accept the Certification and approve the Order Declaring Election of Unopposed Candidates and Cancelling November 6, 2012 Director Election attached as **Exhibit “C”**.

Director Campbell stated that the Board would next consider approving the minutes of the July 24, 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 it had been a pretty good month and that crime levels were down, although burglaries of residences were still at a level he was not very comfortable with. He stated that the president of the Brookfield Homeowners Association had been a victim of an auto burglary and an attempted residential burglary. Deputy Kinnard stated that the County had added about 18 deputies on the east side, noting that they had been doing a lot of patrols, particularly in Brookfield. Deputy Kinnard added that there had only been one graffiti incident in the past 30 days. Director Richter stated that the boulder that had been stolen from the District’s park had been returned. Deputy Kinnard agreed to notify the Sheriff’s Department that the case had been solved. Deputy Kinnard then asked for the Board’s decision about patrol hours during September. Director Amaro asked if most of the burglaries were occurring during school hours and Deputy Kinnard confirmed that they were, but noted that school had not been underway in August. The Board agreed that, as long as there were continued burglaries, the increased patrol hours should be maintained. Deputy Kinnard agreed that some of the additional hours would be used during the day. Director Richter then moved approval of the payments to the deputies set forth on the updated cash activity report attached as **Exhibit “D”**. Upon second by Director Gray, 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 dead trees around the dog park had all been removed in response to Mr. Rivaldo’s concern expressed at the last Board meeting. She reported that representatives of the Villas at Techridge were still working on their landscape plan and that Mr. Cooper of Ms. Littlefield’s office was working with the attorney for the Villas on a resolution of the covenant litigation. Ms. Oliver reported that the mulch that the Park Subcommittee had authorized be purchased had been installed in the staging area and dog park area. She stated that the staff was now back working its regular hours of 8:00 a.m. to 5:00 p.m., and that the office would be closed on Monday for the approved Labor Day holiday.

Director Campbell then recognized Mr. Fadal for purposes of receiving the District’s landscape maintenance report. Mr. Fadal presented the report attached as **Exhibit “E”**. He stated that the plant of the month was a native Texas plant, Flowering Red Yucca, noting that it was not actually a yucca, but was related to the lily. He stated that it was very tough, but not spikey and was one of the lowest water-using plants. Mr. Fadal stated that the tree removal approved for the 50-acre park had been completed and that the soccer fields would be opened in about ten days to two weeks. He stated

that Ms. Oliver had done a good job staking the soccer fields and that the grass growth was doing well. Mr. Fadal stated that the District had now transitioned to use of the well for irrigation water and that he was hopeful that most of the irrigation water would be drawn from the well in the future. Ms. Oliver commented that there had been some comments about the sulfur smell of the well water.

Director Campbell stated that the Board would next receive the engineering report. Mr. Foster presented his report, attached as **Exhibit “F”**, and advised the Board that he had advised TBG Partners that the Board appreciated the job it had done on the well project. He stated that he and Mr. Douthitt still needed to get with Ms. Polumbo on the use of the District’s surplus funds. He stated that Lakes at Northtown Section 5 was still under construction and should be complete by the end of the quarter. He stated that his firm had reviewed the Phase 2 plans for Village @ Northtown and that he had referred the engineers to Ms. Littlefield in connection with some easements that had been required. Mr. Foster stated that the elementary school was open as noted by Mr. Hill. Director Richter pointed out that the revegetation and landscaping was not complete and Mr. Foster acknowledged this. Director Richter asked about the status of the pond that served the elementary school, and Mr. Foster responded that he understood that the City had declined to accept it. Mr. Foster agreed that the condition was not acceptable, noting that he had requested that the developer maintain and mow it, but added that, as it was not a District pond, there was limited recourse. Mr. Foster stated that the low flow lift station project was substantially complete. He presented the reconciliation Change Order attached as **Exhibit “G”**, noting that this was due to a change in quantities, and the Pay Estimate attached as **Exhibit “H”** and recommended approval. Director Richter stated that there was a large tree missing near the lift station that had been removed during the repair of the force main break. The Board agreed that an item should be placed on the next agenda to consider replacing the tree. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the Pay Estimate and Change Order.

Mr. Foster then presented the proposal from his firm to evaluate options for the force main project attached as **Exhibit “I”**. Director Richter stated that she was confused about the reason this was needed. Director Martinez explained that the weak spot in the force main was now higher up on the main as a result of the prior repairs and the lift station project. Director Campbell agreed and stated that the line continued to be stressed and could be subject to future breaks. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the proposal.

Mr. Foster confirmed that the well project was now on line, and functioning well. He presented the Pay Estimate and Change Order for the project attached as **Exhibits “J” and “K”**, respectively, and recommended approval. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the Pay Estimate and Change Order as recommended.

Mr. Foster stated that he anticipated that an update of the MS4 permit would be required the following year, but that the Texas Commission on Environmental Quality (“**TCEQ**”) rules governing the update were not yet revised. He stated that the existing permit would remain in place until the rules were complete. He then presented the

proposal from his firm attached as **Exhibit “L”** for the required annual report related to the permit for the Board’s consideration. Mr. Foster stated that he had also prepared a proposal for pond inspections, but stated that he did not recommend proceeding with this at this time as he understood there was a policy decision to be made regarding inspection of ponds that were not owned or controlled by the District. Director Richter suggested that a subcommittee be appointed to look at whether the District should be inspecting ponds that were not the District’s obligation. After discussion, the Board agreed that, as third-party maintained ponds were not within the District’s regulatory jurisdiction, the City should be notified by Ms. Oliver if there was a problem observed or reported. Ms. Oliver stated that the homeowners’ association ordinarily responded quickly to any reported problems. Mr. Foster agreed to revise the proposal to cover only the District’s ponds. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the proposal for the MS4 permit annual report.

Director Campbell then stated that the Board would discuss park development matters and recognized Director Richter. Director Richter presented the proposals attached as **Exhibit “M” through “O”**, which she explained were for tree removal at the Wildflower greenbelt, the MeadowPointe greenbelt and the Merseyside greenbelt, noting that the work would be phased and that the Park Subcommittee would approve proceeding with each phase. Upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to approve the three proposals. Director Richter then presented the proposal attached as **Exhibit “P”** for improvements in the area around the dog park, noting that there was a drainage problem currently and, in addition, the dead tree removal had removed all of the shade. She stated that the proposal would prevent washing out and add a tree canopy. She stated that the mulch that had been produced from the tree removal had been placed in the dog park and that irrigation was available for the trees. Director Martinez stated that he was pleased with the proposal and noted that this was a highly-used park. Director Amaro agreed and added that he had also gotten positive feedback from a number of residents on the park improvements. Director Gray stated that he would like to keep up with the chipping effort rather than leaving piles of wood for future chipping. Ms. Oliver stated that authorizing additional chipping time would allow this to be done. Ms. Oliver also stated that renting the chipper for a week at a time would allow the District to obtain a lower rental cost. Director Gray then moved that the Board authorize the Park Subcommittee to approve up to an additional \$1,000 for rental of the chipper. Upon second by Director Martinez, the motion was unanimously adopted. Director Richter then moved approval of the proposal for improvement of the dog park. Director Gray asked if this was a “have to have” or a “nice to have”. Director Richter explained that the work was needed to prevent erosion. Director Martinez stated that he felt it was necessary and pointed out that this was a high-use area. Mr. Rivaldo agreed and stated that there were more people using the dog park than any other District park area on a per-square-foot basis, not to mention the dogs. Director Gray then seconded the motion, which was unanimously adopted.

Director Campbell then recognized Mr. Douthitt for purposes of receiving the bookkeeper’s report. Mr. Douthitt reviewed his updated report, attached as **Exhibit “D”**, with the Board. He reviewed the proposed transfers summarized on page one of his updated report. He 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, including payments for utilities, customer deposit refunds and the Attorney General fee for the bond refunding. Mr. Douthitt stated that the District was ahead of plan on its budget, with a slight bump in utility revenues during the prior month. Director Campbell asked why refunds to real estate companies came out of the operating account rather than the manager's account. Mr. Douthitt stated that this was an additional check and balance, noting that a quick turn around on customer deposits was the Board's general goal, but that the Board had, in the past, identified problems with deposit refunds for commercial real estate companies. Upon motion by Director Gray and second by Director Richter, 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 reported that the District currently had 2,823 occupied single family connections and that all water samples taken the previous month had been satisfactory. He also stated that there had been a water gain the prior month, and there were no 90-day delinquencies. Mr. Anderson then requested approval of the write-offs listed on **Exhibit "Q"**. He explained that this customer had not paid for two months of water and wastewater usage. Upon motion by Director Richter and second by Director Gray, the Board voted unanimously to approve the write-off. Director Campbell then asked for an update on the wholesale rate increase proposed by the City of Austin. Mr. Anderson reported that the District was one of the districts that was interested in a rate challenge that was least affected by the increase. He stated that the working group of affected districts had identified an attorney, an engineer and a rate analyst who had been present at the last working group meeting. He noted that the rules had changed since the City of Austin rate case involving Wells Branch, but the proposed consultants had indicated the case could be won. Mr. Anderson stated that these consultants proposed an initial study, and stated that the cost would be shared by five districts with the District's share of the cost being approximately 20%. After discussion, Director Richter moved that Director Campbell be authorized to approve the expenditure of up to \$5,000 for this initial feasibility work. Upon second by Director Gray, the motion was unanimously adopted. Mr. Anderson then asked if another Board member would like to attend the working group meetings, and Director Gray stated that he would like to do so. The Board agreed that Director Gray should also serve on the Wholesale Rate Subcommittee.

Director Campbell stated that the Board would next consider taking action regarding the District's 2012-2013 budget and 2012 tax rate. Ms. Allen advised the Board that the bond refunding had gone very well, and that the savings from the refunding had resulted in a gross savings of \$401,000, which was 8.7%, and so almost twice what the City required as savings in any refunding. She stated that, with the three refundings that had been done, the District had saved over \$1,000,000 in interest costs. Ms. Allen then presented the tax analysis attached as **Exhibit "R"** and reviewed it with the Board. She stated that there had been property devaluation problems throughout the County because low values had been assigned by the Appraisal District without any justification. She reviewed the District's historical appraised values and explained that a

rate of \$0.5271 was needed for debt service tax, noting that the District had \$12,000,000 less in value than had been projected when bonds were last sold in 2011. Ms. Allen then reviewed the projected increases in value within the District and reminded the Board that it was not being asked to approve a budget or the tax rate at this meeting, but to adopt a proposed rate so that notice could be given as required by State law. Mr. Douthitt then presented the draft budget attached as **Exhibit "S"** and reviewed it with the Board. He stated that this information had been reviewed by the Budget Subcommittee, and reviewed the various scenarios with the Board. He stated that he had used the new wholesale rates rolled out by the City of Austin and pointed out that the actual rates and cost to the District were increasing as well as the methodology. Mr. Douthitt pointed out that the rate increase was about 8%, and that the City had gotten rate increases every year. He stated that the budget also included a number of line items that had been requested by the Park Subcommittee. He stated that, at current utility rate levels, there would be a several hundred thousand dollar loss in the next fiscal year. Mr. Douthitt also stated that, if the Board increased the base fee and volumetric rates, it could reach a service revenue level that would cover the cost of service, but the District would still end up with a net deficit for the year due to many other projects. Director Richter pointed out that the park projects were funded through park fees that were collected for that purpose. Director Gray stated that the District had not increased its water and wastewater rates for five years and he felt the Board now needed to do so. Mr. Hill agreed that, ultimately, the District would need to increase rates to cover the cost of service, but encouraged the Board to communicate with the residents. The Board then discussed the timing and structure of the anticipated rate increase. Director Amaro stated that water rates were very much in the news throughout the region, and so it would probably be easier to increase rates at this time, since there was more public awareness. The Board then discussed the best way of communicating with the residents regarding the contemplated increase. After discussion, the Board agreed that an enclosure should be sent with the utility bills, but that the enclosure should also provide a link to the website and that a link to an article on the City rate increase should also be included. Director Gray stated that he preferred to pass-through the utility rate increase and maintain the same tax rate and the Board generally concurred.

Director Gray then moved that the Board establish a proposed tax rate of \$0.75. Director Richter seconded the motion, which was adopted with Directors Campbell, Richter, Martinez, Amaro and Gray all present and voting "yes". Director Amaro then moved that the Board call a public hearing on the tax rate for September 25, 2012 at 5:45 p.m. at the District offices and authorize Ms. Littlefield to publish notice of the public hearing. Upon second by Director Richter, the motion was unanimously adopted.

The Board directed that the consultants bring a proposed retail rate increase to the Board for review at the next meeting. Mr. Anderson agreed to provide the recommended increased rates to Ms. Littlefield's office.

There being no reports from developers' and landowners' representatives and no further business to come before the Board, upon motion by Director Richter and second by Director Martinez, the Board voted unanimously to adjourn the meeting.

Date: _____, 2012.

(SEAL)

Alex Martinez, Secretary
Board of Directors