

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

September 22, 2015

THE STATE OF TEXAS           §  
  §  
COUNTY OF TRAVIS           §

A meeting of the Board of Directors of Northtown Municipal Utility District was held on September 22, 2015, 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 following members of the Board were present, constituting a quorum:

Brenda Richter	-	Vice President
Kathy Haught	-	Secretary
Chris Capers	-	Assistant Secretary
Felix Amaro	-	Treasurer

Director Robin Campbell was absent. 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. ("TexaScapes"); Scott Foster of 360 PSI, Inc.; Deputy Oscar Gonzales of the Travis County Sheriff's Department; Linda Loup of Public Finance Group, LLC; Julio Castellero of Texas Disposal Systems ("TDS"); Lee Hill, Lupe Serna, Jose R. Garcia, Kim Ibarra, Xavier Ibarra, Susie Wallace, and Hamid Dinari, residents of the District; and Sharon Smith of Armbrust & Brown, PLLC ("A&B").

Director Richter called the meeting to order at 5:45 p.m. and stated that the Board would receive resident communications and Board member announcements. Director Haught discussed the District's National Night Out event and activities scheduled for October 6.

Director Richter stated that the Board would next discuss concerns of members of the Wildflower Homeowners Association ("HOA"). Director Richter recognized Ms. Serna, who stated she was a homeowner in the Wildflower subdivision. Ms. Serna explained that a petition had been circulated among the homeowners to determine interest in dissolving the HOA. Ms. Serna noted that the petition had over 50 signatures to date, but also mentioned that some homeowners wanted to keep the HOA. She recommended that, if the HOA could not be dissolved, then the HOA Board should hire a management company. Director Richter next recognized Ms. Ibarra, who stated that she was a homeowner in the Wildflower subdivision. Ms. Ibarra asked whether the District would enforce restrictive covenants if the HOA were dissolved, and whether there was any reason to bring the HOA dissolution issue to the District Board. Director Richter replied that the Board had no authority over the HOA, but would want to be notified if it were dissolved. She explained that the District would not enforce the HOA

bylaws, maintain the alleys or alley lights, own the easements in the alleys, maintain the towing signs, or enforce HOA towing. She added that the Board could not act as the Architectural Control Committee, nor pay for extra security that was put in place by the HOA. Director Richter then recognized Mr. Ibarra, who asked whether the decision to dissolve the HOA had a time limit. Director Richter responded that when and whether to dissolve the HOA was up to its members.

Director Richter stated that the Board would next discuss the District's 2015 tax rate. Ms. Loup presented the certified appraised values attached as **Exhibit "B"** and mentioned that the District's certified total assessed value was approximately \$16,000,000 more than the preliminary assessed value. Ms. Loup recommended that the Board adopt a tax rate of \$0.7220 per \$100 assessed valuation, and allocate \$0.3788 to debt service and \$0.3432 to operations and maintenance. Director Richter then opened the public hearing on the District's 2015 tax rate and asked if there was anyone present who wished to address the Board on that matter. Director Richter recognized Mr. Hill, who stated that it was great that the assessed values and revenues had increased, and noted that he was aware that in past years not all operation expenses had been able to be covered by revenues. He requested that the Board discuss how operational income would correlate with the proposed budget. There being no one else wishing to speak on the tax rate, Director Richter closed the public hearing.

Director Richter then recognized Mr. Douthitt to present the proposed budget. Mr. Douthitt stated that, since the Board's budget discussion in August, the proposed budget had been adjusted slightly. He explained that the budget maintained the current utility rates, pending a final decision on the rate appeal. He mentioned that the proposed budget had also been revised to include an additional \$145,000 capital outlay for facilities, and that any additional funds that were needed would come from the operating fund. After discussion, upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approve the Resolution Adopting Budget attached as **Exhibit "C"** incorporating the budget as presented.

Director Amaro then moved that the Board adopt the \$0.7220 tax rate, as recommended, and approve the Order Levying Taxes attached as **Exhibit "D"**. Upon second by Director Haught, the Board voted unanimously to adopt the motion, with Directors Richter, Haught, Capers, and Amaro all present and voting "yes" and Director Campbell absent and not voting.

Director Richter stated that the Board would next consider approving the consent items on the Board's meeting agenda: the minutes of the August 25, 2015 meeting, the proposal from McCall Gibson Swedlund Barfoot PLLC attached as **Exhibit "E"** for audit services for the fiscal year ending September 30, 2015, and the Amended and Restated Information Form attached as **Exhibit "F"**. Director Richter noted that consideration of the minutes of the August 25, 2015 Board meeting would be postponed until the Board's October meeting. Upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the audit proposal and the Amended and Restated Information Form.

Director Richter then stated that the Board would receive the District's security report. Deputy Gonzales reported that the Brookfield neighborhood had experienced some burglaries in August. He recommended that residents add locks to their back gates and keep doors and windows locked. Deputy Gonzales added that unlocked garages could be a point of unauthorized access. He mentioned that Brookfield had also had some vehicle burglaries, one of which occurred at 5:45 a.m., and noted that all but one of the cars had been unlocked. Deputy Gonzales discussed some of the criminal mischief incidents that had occurred. He stated that the deputies continued to conduct random security checks. The Board expressed its appreciation for the deputies' work and noted that there had been a significant reduction in crime. Ms. Oliver mentioned the National Night Out and discussed some of the District activities that were planned.

Director Richter stated that the Board would next receive the landscape maintenance report and recognized Mr. Fadal. Mr. Fadal presented the plant of the month, horsetail reed, noting that it was especially suitable for wet spots in yards, such as from air conditioning drainage, and that it would help soak up the water, but could also tolerate dry conditions. He reported that it had been a good month for the parks. Mr. Fadal stated the irrigation system was completely operational, which was helping some of the stressed plants recover. He explained that fire ants were being treated with the Texas two-step and that, in the cooler weather, usually beginning in September, TexaScapes would put out fire ant bait, which ants fed to the queen causing her to become sterile. He added that his crews would then spot treat, which would accelerate getting rid of the mounds. Mr. Fadal requested that Ms. Oliver notify him if she noticed any fire ant activity before the National Night Out event. He mentioned that the next landscaping project would be winter rye overseeding and that he would make a recommendation regarding that at the Board's October meeting. Mr. Fadal then reviewed the landscape maintenance report, attached as **Exhibit "G"**. Director Richter praised Mr. Fadal's and Mr. Foster's work installing the turf at the new storage building.

Director Richter stated that the Board would next receive the on-site manager's report and recognized Ms. Oliver. Ms. Oliver called the Board's attention to her monthly report, including the covenant violation report, attached as **Exhibit "H"**, and the monthly expense report attached as **Exhibit "I"**. She stated that she had sent three violations to A&B to get a recommendation on filing lawsuits.

Director Richter stated that the Board would next discuss recycling and solid waste disposal services. She noted that the supplemental agenda for the meeting included the Order Establishing Service Rates, Charges and Tap Fees and Adopting Rules and Policies with Respect to the District's Water, Wastewater and Drainage Systems, but that the Order would be postponed to the Board's October meeting. Director Richter then recognized Mr. Castellero, who discussed the new program to provide service for any customers whose trash pick-ups were missed on Saturday morning. He explained that postcards had been mailed to customers the preceding day, September 21<sup>st</sup>, and that the postcards had a phone number for customers to call on Saturdays after regular office hours from noon to 5:00 p.m., if their pick-up was missed. He stated that a box truck would return to pick up the trash, and that service would occur only on Saturdays. Directors Richter and Haught requested that he send a report of any missed pick-ups to the Solid Waste Subcommittee. Ms. Oliver mentioned that

Director Campbell would be posting information about the Saturday afternoon service option for missed pickups on the website that week. Mr. Hill noted that he appreciated the service that the Board and TDS provided in working together to address the problem.

Director Richter stated that the Parks Subcommittee had nothing to report.

Director Richter then stated that the Board would receive the engineer's report and recognized Mr. Foster. Mr. Foster referred to the first six items in his report, attached as **Exhibit "J"**, and stated that there had been no change in their status. He then reminded the Board that the District had received a notice of violation from the City of Austin (the "City") about one of the District's ponds, and that the District's consultants and staff had addressed any potential issues, notified the City that the issues had been addressed, and requested a follow up inspection. He then reviewed the City's release letter attached as **Exhibit "K"**, which he noted indicated that the deficiencies previously identified had been corrected. Mr. Foster then presented the proposal for concrete rip rap at the Wildflower Park Dam bridge attached as **Exhibit "L"**. He explained that the work was part of the MS4 pond repair for the Wildflower Park Dam near the playscape where some soil had been washed away. Upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approved the proposal. Mr. Foster then presented Pay Estimates No. 3 and 4 in the amounts of \$3,655.80 and \$7,040, respectively, attached as **Exhibits "M"** and **"N"**, for the 50-acre park storage building and recommended approval. Mr. Foster also presented Change Order No. 1 in the amount of \$-0-, attached as **Exhibit "O"**, for the trail improvements and maintenance which he explained allocated the contract amount based on unit prices and recommended approval. Director Haught asked whether the assessment was performed holistically, to ensure there were no subsequent recommendations after the changes had been approved. Mr. Foster responded that the change order did not change the total contract amount, only how the amount was allocated, so did not prevent the Board from making additional reallocations if needed. After discussion, upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the Pay Estimates and Change Order as presented.

Director Richter then recognized Mr. Douthitt, who presented the updated bookkeeping report attached as **Exhibit "P"**. Mr. Douthitt reviewed the proposed funds transfers summarized on page one of his report, including a transfer from the District's Chase operating account to the Chase manager's account in the amount of \$23,500; a transfer from the District's TexPool operating account to the District's Chase operating account in the amount of \$200,000; and a transfer from the Compass Lockbox to the TexPool operating account in the amount of \$83,250.33. Mr. Douthitt then reviewed the Director and vendor payments that were being presented for approval. He stated that he would void Check No. 6178 to Director Campbell, due to his absence from the meeting. He called the Board's attention to the additional payments that had been added to the report since the packet date, including payments for arbitrage rebate review, National Night Out event equipment, and professional fees related to the water rate case. He requested that two directors sign the check to the City of Austin for payment of the water and wastewater invoice, noting that he would obtain a final signature upon receipt of the invoice. Upon motion by Director Haught and

second by Director Capers, the Board voted unanimously to approve the payment of the bills and invoices and the transfers as recommended.

Director Richter then recognized Mr. Anderson for purposes of receiving the general manager's report. Mr. Anderson noted that the District currently had 2,946 occupied single-family connections, a total of 3,839 accounts, and an estimated population of 10,083. He added that the District had satisfactory lab results for its water samples, and that the District had experienced a 6.21% water loss which, he noted, was down from the last reporting period. Mr. Anderson then called the Board's attention to the write-offs set forth on the list attached as **Exhibit "Q"** and recommended approval. After discussion, upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve the write-offs. Mr. Anderson mentioned that, several months previously, the Board had requested that he find someone to conduct periodic preventive maintenance work. He presented Options 1 and 2, attached as **Exhibits "R"** and **"S"**, for a maintenance agreement with Central Texas Water Maintenance ("CTWM"). He also distributed information setting out CTWM's qualifications, service call rates, and liability coverage to the Board. Director Richter stated that Option 1 was a more robust proposal and added that she and Director Haught recommended approval of Option 1. Director Richter and Director Haught stated that they had determined that the Board should have the opportunity to look at both options and discuss them. Director Richter noted that the purpose of the wells was to avoid being subject to City watering restrictions. She noted that Option 1 did not include taking apart the impeller on the irrigation pump, but added that the CTWM representative had explained that, if the pump was being regularly inspected, key indicators would signal when maintenance or repairs were needed, resulting in cost savings and an avoidance of unnecessary expenditures. Director Richter and Director Haught recommended that the Board approve Option 1 with an allowance for them to authorize a "not to exceed additional \$2,000 per incident" expenditure as needed. Director Amaro asked whether there was a way to know what typical additional incidental costs might be. Director Haught stated that she and Director Richter had discussed that question with the CTWM's representative, who indicated he was comfortable with an additional \$1,000 in spending authority. Director Richter added that she and Director Haught felt that \$2,000 provided a little more cushion. Mr. Anderson noted that CTWM was a group of multi-skilled experts rather than separate plumbers, electricians, irrigators, and other specialists, and so CTWM would not have to call in additional resources that might bill at different rates. Director Capers asked how the nine visits would be allocated, and Director Richter responded that they wanted to keep it flexible so the visits could be used as needed. She added that the extra visits tended to be used during peak periods, and that the fee would be prorated over the nine visits. Ms. Oliver and Director Richter mentioned that the proposal needed Ms. Littlefield's review for sufficiency of the liability coverage. After discussion, upon motion by Director Amaro and second by Director Haught, the Board voted unanimously to approve Option 1 subject to Ms. Littlefield's review and approval.

Director Richter then stated that the Board would receive the attorney's report. Director Richter noted that she was familiar with the status of the District's utility rate case appeal and that she would provide a summary. She stated that the Public Utility Commission ("PUC") had, on September 11<sup>th</sup>, ruled in the District's favor on the City of

Austin wholesale rate case. She continued that she had attended the PUC hearing. She read a summary of the PUC decision she received from Mr. Wilburn, in which Mr. Wilburn advised of several PUC conclusions, including that the PUC determined that the Water Code did not require a public interest test before conducting a cost-of-service hearing; that the rates should not be reduced to the 2012 level per se, but should be adjusted to take certain discounts into consideration; that the City should not recover rate case expenses; that the PUC staff was ordered to calculate the new City rates; and that the City could not increase rates without submitting a rate application to the PUC for approval. She noted that the City had already filed an appeal with the 3rd Court of Appeals, but that the appeal had been abated until the PUC issued its final order.

Ms. Smith then presented the Statement on Auditing Standard No. 99 attached as **Exhibit "T"** and reviewed it with the Board. Ms. Smith reminded the Board that this Statement was sent to the Board and District consultants in connection with the auditor's due diligence work and in order to obtain a level of assurance that the District's financial statements were free of misstatements resulting from fraud. She stated that if the Board members had any concerns or information to the contrary, they should contact the auditor.

There were no reports from developers' and landowners' representatives. Director Richter stated that consultant reviews would be postponed until the Board's October meeting.

Director Richter then recognized Mr. Dinari, who requested to speak about concerns relating to having to cross Howard Lane early in the morning at Greinert Drive. Mr. Dinari stated that children had to navigate this area to get to Barron Elementary School. He explained that he had communicated with the Pflugerville Independent School District staff who stated that they could not do anything about it. He mentioned that Scott Lambert, with Travis County, was looking into the matter to see if the County could help with a remedy. He added that he had also discussed his concerns with the Barron School administration. He asked for Board support for an extension of Harris Ridge Boulevard. Director Richter stated that an extension had been planned for some time, but Mr. Dinari replied that the extension had been delayed due to a lawsuit. Director Richter noted that the Board had no authority over roads. Deputy Gonzales recommended that Mr. Dinari contact the Texas Department of Transportation ("*TXDOT*") and request that it conduct a traffic survey. He stated that TXDOT was the entity that was responsible for implementing the kind of change being requested.

There being no further business to come before the Board, upon motion by Director Amaro and second by Capers, the meeting was adjourned at 7:07 p.m.

Date: October 27, 2015

(SEAL)

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Kathy Haight, Secretary  
Board of Directors