

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

October 25, 2016

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 October 25, 2016, 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"**.

All of the Directors were present, as follows:

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

Also present at the meeting were Mona Oliver, the District's on-site manager and covenant administrator; Scott Foster of 360 Professional Services, Inc.; Allen Douthitt of Bott & Douthitt, PLLC; Deputy Oscar Gonzalez of the Travis County Sheriff's Office; Richard Fadal of TexaScapes, Inc.; Lee Hill, resident of the District; Jenn Schmidt of Brookfield Homeowners' Association; and Sue Brooks Littlefield of Armbrust & Brown, PLLC ("**A&B**"). Robert Anderson of Crossroads Utility Services, LLC ("**Crossroads**"); Jay Howard of Texas Disposal Service ("**TDS**"); and Randy Wilburn of the Law Offices of Randall Wilburn arrived later.

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. Mr. Hill stated that he did not have anything to report.

Director Campbell then stated that the Board would consider approving the minutes of the September 27, 2016 Board meeting. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the minutes.

Director Campbell stated that the Board would next receive the security report and recognized Deputy Gonzalez. Deputy Gonzalez stated that there had been a run of vandalism in the Cambourne area, including one incident at the park, two burglaries of vehicles in Brookfield, and one theft of a vehicle, but no residential burglaries. He stated that most of these cases involved younger juveniles. Deputy Gonzalez stated that the burglaries of vehicles continued to be of unlocked cars. He stated that the detective assigned to the area was amazed at the crime rate drop. **Deputy Gonzalez agreed to check with the County's public information officer about any photographs from the National Night Out event.**

Director Campbell then stated that the Board would consider landscape maintenance matters and recognized Mr. Fadal, who presented his report, attached as **Exhibit “B”**. He discussed the plant of the month, King Ranch Bluestem, which he stated was currently blooming. He noted that it was the grass that grew quickly right after mowing, particularly in the entry to the 50 acre park. He stated that it was originally imported from Afghanistan and was brought to the King Ranch to graze the cattle. He stated that it was very aggressive and difficult to control. Mr. Fadal then reported that his crews had finished work under the last approved erosion control proposal and had also just finished the overseeding and topdressing work.

Director Campbell stated that the Board would next receive the on-site manager’s report and recognized Ms. Oliver. Ms. Oliver stated that she had confirmed that the DVR was covered by Texas Municipal League Intergovernmental Risk Pool (“*TML*”) coverage, but the cost of the DVR was below the deductible. She stated that she had met with the security company and asked about a similar type of camera set-up and had just gotten some information on this. She explained that the line to the camera was not working. Ms. Oliver stated that she would present the proposals to the Security Subcommittee for its recommendation. She then called the Board’s attention to her monthly report, attached as **Exhibit “C”**. She stated that she had met with Mr. Howard, the new TDS representative, who had agreed to begin providing TDS’s customer complaint logs and that she would provide them to the Solid Waste Subcommittee.

Director Campbell then stated that the Board would discuss Parks Subcommittee items. Mr. Foster stated that work on the quarry block vehicular barrier had begun and that the work was anticipated to take approximately 60-90 days to complete. He stated that Ms. Littlefield’s office had provided an easement for the Wildflower project, and Ms. Oliver was coordinating execution, noting that the District might want to establish a deadline for completion. Mr. Foster then presented the Pay Estimate for repainting the park pavilion in the amount of \$6,500, attached as **Exhibit “D”**. He recommended approval of this Pay Estimate subject to satisfactory completion of the work. Mr. Foster then reported that he recommended replacement of the existing concrete trail due to ongoing drainage issues, not to exceed \$5,000. Upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the Pay Estimate, with the payment to be held as recommended until satisfactory completion. Upon motion by Director Richter and second by Director Amaro, the Board voted unanimously to approve the replacement of the concrete trail at a cost not to exceed \$5,000.00.

Director Campbell stated that the Board would next receive the engineer’s report. Mr. Foster reviewed his report, attached as **Exhibit “E”**. He stated that several projects were on hold pending final permitting. **Director Campbell stated that a meeting needed to be scheduled on the fence details and Mr. Foster agreed to do so.**

Director Campbell then recognized Mr. Douthitt, who presented the updated cash activity report attached as **Exhibit “F”**. He recommended approval of a transfer from the District’s JP Morgan operating account to the JP Morgan manager’s account in the

amount of \$16,600, a transfer of \$90,000 from the District's lockbox account to the District's operating account, and a transfer of \$150,000 from the District's Logic operating account to the Chase operating account. Mr. Douthitt then reviewed the Director and vendor payments, noting that the clean-up day charges were included in the TDS invoice. Mr. Douthitt reminded the Board that BLX Group was the company that did the arbitrage review of the District's bonds every five years. Director Campbell asked if the issue regarding TDS charging the District for customer charges had been resolved and Mr. Douthitt confirmed that the District had received a credit. He then reviewed the payments that had been made out of the bookkeeper's account during the prior month, including deposit refunds and utility payments. Mr. Douthitt noted that he had been given a directive regarding the telephone lines for the autodialer service and stated that, with the new rates which reduced the telephone bill from about \$360 to \$100 per month, there would be a 14 year payback if the District were to convert to a different system. Mr. Douthitt stated that he was not in favor of combining the office internet system with the autodialer system. Ms. Oliver stated that she agreed with Mr. Douthitt. Upon motion by Director Capers and second by Director Haught, the Board voted unanimously to approve the payment of the bills and invoices and the transfers as recommended.

Director Campbell then recognized Mr. Anderson for purposes of receiving the general manager's report. Mr. Anderson stated that his directive related to the changes to the City's drought contingency plan and explained that the changes were simply recommendations, but not mandated, and stated that the Subcommittee recommended the District implement the same changes as recommendations in the same way. He added that the conservation level was in place at all times unless something triggered more restrictive regulations. He also explained that there was a supply trigger as well as a demand trigger. Director Capers asked if Mr. Anderson had found anything out about City rebates being available to District customers, and **Mr. Anderson stated that he understood that the District's customers were eligible for City utility rebates and that he would be trying to do a test case to verify this.** He then presented Crossroads' report, attached as **Exhibit "G"**. Mr. Anderson noted that the District had 2,952 occupied single-family connections, a total of 3,836 accounts, and an estimated population of 11,346 as of September. He reported that the District had received satisfactory lab results for all water samples, and had experienced a water loss of 11.65% during the prior reporting period and an average loss of 9.12% for the fiscal year. Mr. Anderson then called the Board's attention to the write-offs set forth on **Exhibit "H"**, and recommended approval. He noted that not all of the accounts would go to collections as some were under the minimum of \$35. After discussion, upon motion by Director Amaro and second by Director Capers, the Board voted unanimously to approve the recommended write-offs.

Director Campbell stated that the Board would next discuss the wholesale rate case. He recognized Mr. Wilburn, who reported that a schedule for briefing the Court on the original rate case, had been worked out and that the City's brief was due in November, the District's and the Public Utility Commission's ("*PUC's*") briefs were due in January, and then the City's responses were due in March, with a three-hour trial scheduled in April. He stated that, regardless of the outcome, it was likely to go to the Court of Appeals, win or lose. He reported that there had been a question about rates

and refunds and noted that it came down to an issue relating to inflow and infiltration charges. Mr. Wilburn explained that the City had been using 11.7% as the inflow and infiltration factor arbitrarily. He stated that the PUC staff felt some factor should be included and that resisting this would give the City a basis for appeal. Mr. Wilburn noted that, ultimately, the Administrative Law Judge had come up with his own calculation of the inflow and infiltration factor of 10.3%. He stated that the City had now begun its new cost of service study, and was doing its public involvement process. He stated that wholesale customers were in separate meetings from everyone else. He noted that the City staff was also blaming all of the retail increases on the wholesale customers and was now trying to change the rate methodology from the cash basis to the utility basis. He explained that the utility basis was generally used by private utilities and included a rate of return. He also stated that Samsung and NXP, large volume customers, were involved, that someone had been retained to represent the residential customers, and that he was also asking questions. Mr. Wilburn added that the City was being asked to follow a process similar to that it had followed for electric rates. He suggested that the District group use the cost of service website and document questions about why they were being excluded from the process. He added that all of the handouts were on the website. Mr. Wilburn stated that Mr. Joyce of Expergy had been hired by the large volume users. He stated that the City was attempting to include some of the costs that had been excluded in the District's rate case back into the revenue requirement. Director Amaro inquired whether the current proceedings could take away everything that had been won, and Mr. Wilburn responded that the appeal was intended to reverse what had been achieved in the rate case and that the current rate case was for the future.

Director Campbell stated that the Board would next hear from developers' and landowners' representatives. There being none, Director Campbell stated that the Board would receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield called the Board's attention to the TML report on claims history that had been included in the meeting packet.

Director Campbell stated that the Board would next discuss its future meeting schedule. After discussion, the Board agreed to move the November meeting to November 29th and the December meeting to December 20th.

Director Campbell then stated that the Board would conduct consultant reviews and noted that the Board would convene in executive session to do so as authorized by Sections 551.074, of the Texas Government Code. He announced that the time was 6:39 p.m. After the executive session, which included consultant reviews of Richard Fadal of TexaScapes, Inc.; Jay Howard of Texas Disposal Systems, Inc. and Deputy Oscar Gonzalez of Travis County Sheriff's Department, the Board reconvened in open session at 7:15 p.m. and Director Campbell announced that no action had been taken in executive session.

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

(SEAL)

Kathy Haught, Secretary
Board of Directors

Date: November 29, 2016