

**MINUTES OF MEETING OF BOARD OF DIRECTORS OF
NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1**

SEPTEMBER 10, 2014

THE STATE OF TEXAS §
 §
COUNTIES OF TRAVIS §
 AND WILLIAMSON §

A regular meeting of the Board of Directors of North Austin Municipal Utility District No. 1, open to the public, was held on September 10, 2014, at the Rattan Creek Community Center, 7617 Elkhorn Mountain Trail, Austin, Texas, pursuant to notice duly given in accordance with law. A copy of the Certificate of Posting of said Notice is attached hereto as Exhibit "A".

The roll was called of the members of the Board, to-wit:

Alan McNeil	-	President
Donald G. Conklin	-	Vice President
Jo Jones	-	Secretary
Keith Collins	-	Treasurer
Kim Green	-	Assistant Secretary/Treasurer

and all of said Directors were present, thus constituting a quorum. Also in attendance at the meeting were Gary Spoons with Crossroads Utility Services; Mary Bott with Bott & Douthitt, P.L.L.C.; Cheryl Allen with Public Finance Group; Bill Burke with Clearwater Management; David Malish with Murfee Engineering Co., Inc.; Richard Fadal with TexaScapes; and Sharlene Collins with Armbrust & Brown, PLLC.

Director McNeil noted that the bills and invoices would be postponed until next week.

Director McNeil stated the first item to come before the Board was to consider matters related to the budget and tax rate. Ms. Collins noted that the Notice of the Public Hearing on the Tax Rate had been published in accordance with state law. Ms. Allen then proceeded to review the certified values and the components of the tax rate. She stated that the proposed debt service tax rate was \$0.0661 with the proposed operation and maintenance tax being \$0.2738. Mr. Spoons then discussed the proposed budget. He reminded the Board that each penny of tax rate was equal to \$87,325. Director McNeil recognized Mr. Malish who stated that he wished to discuss the debt service component. He stated that he had reminded Board members previously that the costs to be included in the bond issue were estimates and not certain. Mr. Malish stated that he wanted it on the record that he could not assure the Board as to the costs that were needed to be expended. He stated that the extent of the floodplain recovery in Rattan Creek that could be achieved would be dictated by the permit restrictions imposed by the U.S. Corp of Engineers, TCEQ, City of Austin and Williamson County. Mr. Malish stated that he believed that the amount of bond funds requested for the Rattan Creek drainage project would probably be excessive due to the anticipated imposed restrictions and that large amounts of the bond proceeds

could be tied up for five to six years owing to the anticipated permitting process. Mr. Malish also suggested that the District should explore the potential and impact for defeasing the debt using bond proceeds. Director Conklin stated that every recent project had been substantially higher than initial estimates. Ms. Allen reminded the Board that the bond sale and closing had a December 15 deadline due to TCEQ. She stated that there was not much time to consider other options. Ms. Collins added that any surplus funds could be used for other projects approved by the Commission. After discussion, the Board agreed that they had made their good faith estimate of costs and would proceed forward with the bond issuance in the proposed amount. Director McNeil opened the public hearing and asked for public comment on the tax rate. There were no comments. He then closed the public hearing.

Director McNeil stated that the Board would next consider a resolution adopting the draft budget. Upon motion by Director Conklin and second by Director McNeil, the Board unanimously approved the Resolution, a copy of which is attached hereto as **Exhibit "B"**.

Director McNeil stated that the Board would next consider adoption of an Order Levying Taxes. Director Conklin moved approval of the Order with Director Green seconding the motion. Director Collins inquired as to whether there had been any discussion as to whether the operation and maintenance tax component should be lowered. Director Conklin noted that if expenses rise and the debt service tax cannot be reduced, the operation and maintenance tax might have to be increased in future years. Director McNeil discussed the reasons for a healthy sinking fund. After further discussion, the Board approved the Order Levying Taxes with Director Collins voting no. A copy of the Order is attached hereto as **Exhibit "C"**.

The next item to come before the Board was to consider approval of a Revised District Information Form. Ms. Collins directed the Board's attention to the draft in their packet, noting that the change was the lower tax rate that had just been adopted. Upon motion by Director McNeil and second by Director Collins, the Board unanimously approved the information form amendment, a copy of which is attached hereto as **Exhibit "D"**.

The next item to come before the Board was to receive a report on park and landscape maintenance and consider any related proposals. Mr. Fadal stated that the irrigated areas are doing well with the amount of irrigation that has been allowed. He stated that he would like to wait longer to treat fire ants unless it became a big problem. He requested that Board members let him know if there were complaints. He noted that he had no proposals tonight.

The next item to come before the Board was to receive the pool and Community Center report. Mr. Burke stated that they were continuing to work on the parking lot repairs. He stated that he had been notified by the County of the election issues. He informed the Board that the pool operations were going well. He stated that the discoloration area caused by vandals is slowly going away. Mr. Burke informed the Board that both swim teams were using the pool now in the mornings. He stated that they were using alternate days.

The next item to come before the Board was to receive a report from the District's general manager. Mr. Spoons informed the Board that he had met with the MS4 group recently. He stated that the notice of the availability of the 5-year plan will be published in accordance with the state law. He stated that a copy of the plan would be available at the Community Center for review. Director Conklin inquired as to whether certain hours were required for availability. Mr. Spoons stated that there was not. Mr. Spoons then discussed the status of the stormwater drainage in Adik Cove. He stated that the entire pipe has now been replaced. He stated that there were 8 breaks noted in the pipe. He stated that apparently the bedding was insufficient and the pipe was totally clogged. Mr. Malish then discussed the extent of the damage and reminded the Board that the original contract for digging up a portion of the pipe was \$12,300. He stated that this was for approximately 20 feet. He continued that because the entire pipe had to be replaced due to the complete clogging, the entire cost would be approximately \$40,000. Director Conklin inquired as to whether the stormwater system needed to be inspected by TVing the line on a regular basis. Mr. Malish stated that they really could not do this as there are not manholes connecting the various segments. Mr. Malish stated that more intense visual inspections could be done. Mr. Spoons then briefly discussed the security services contract with Williamson County. Ms. Collins discussed the issues related to the proposed agreement. She stated that it was her understanding that the County now was not allowing the various utility districts to contract for services through the County. She stated that this agreement was the only option being put forth by the County at this time. She briefly discussed the issues related to the income tax, insurance requirements and the language inconsistencies between employment and independent contracting. She stated that two other districts were obtaining a tax opinion from an attorney regarding the District's obligation to issue either W-2 forms or 1099 forms for these sorts of services. She stated that she had been asked to inquire as to whether the District would be willing to pay a pro rata share of the cost of this. After discussion, the Board agreed that it would share in the cost of the tax opinion. Ms. Collins noted that the security services contract would be on the agenda for the 17th as well. She stated that Mr. Flahive would be in attendance to make recommendations and discuss this further with the Board. Mr. Spoons stated that he had no other items.

The next item to come before the Board was to receive a report from the District's engineer. Mr. Malish stated that the storm sewer replacement had already been discussed. He stated that he had received the plans for the Lamy Tract. Mr. Malish stated that he had no other items.

Director McNeil stated that there were no items related to future annexation or the City of Austin. It was discussed that some sort of meeting among the water rate litigation districts had been called. The Board requested that Ms. Collins contact Mr. Wilburn to get more information about how this meeting had been called and about how members of the alliance had been notified. She stated she would do so.

Director McNeil inquired as to whether there were any further items to come before the Board including future meeting schedules and agenda items. Director Jones noted that the RCNA would like to have a town hall meeting with the District Board perhaps in October. The Board discussed the possibility of holding the town hall meeting on October 13 or October 15. The Board also discussed the timing for the bond sale. Ms. Allen stated

that sales during the day usually result in a slightly lower interest rate due to the buyer not having to hold his bid overnight. After discussion, the Board agreed that the bond sale would be held on October 15 at 12:30 p.m. at the Community Center. The Board agreed to have Director Conklin coordinate with the RCNA regarding the dates for the town hall meeting. Director Conklin requested that Ms. Collins send a follow-up e-mail to all Board members reminding them of the date and time for the bond sale. Ms. Collins stated she would do so. Director McNeil inquired as to whether there were any further items to come before the Board. There being none, upon motion by Director Jones and second by Director Green, the Board unanimously approved adjourning at 7:38 p.m.



Jo Jones
Jo Jones, Secretary
Board of Directors

October 13, 2014