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MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF
WELLS BRANCH MUNICIPAL UTILITY DISTRICT

January 17, 2006

A regular meeting of the Board of Directors was held January 17, 2006, at the Wells Branch Community Center, 2106 Klattenhoff, 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".

Members of the Board as it was called to order are:

Charles R. Walters	-President
Donna Howe	-Vice President
Robert O'Donnell	- Secretary
Joy Smith	- Treasurer
	and Assistant Secretary
Janet Maxey	- Assistant Secretary-Treasurer

and all of the Directors were present, except Director O'Donnell, thus constituting a quorum. Also present during the course of the meeting were Don H. Williams, District general manager; Margret Wingrove of ECO Resources, the District's utility firm; John Bartram of Armbrust & Brown, LLP, the District's law firm; Robert Ferguson, P.E., of Murfee Engineering, the District's engineering firm; Richard Fadal of TexaScapes, Inc.; Scott Krchnak of Maxwell Locke & Ritter, LLP; John Grasshoff of Travis County Emergency Services District No. 2 and a resident of the District; Tim and Maria Price of 14022 Golden Flax in the Northtown Municipal Utility District; Richard Heneghen of 15425 Ozone Place in the District; David Armistead, a resident of Northtown Municipal Utility District; and Cliff Avery of Gilleland Creek Press.

Director Walters called the meeting to order at 6:04 p.m. Director Walters announced that the Board would receive an audit of the District's financial statements for the fiscal year ended September 30, 2005 and recognized Mr. Krchnak who presented copies of the Audit Report and Management Report. Mr. Krchnak stated that the audit presented an unqualified (clean) opinion as to the condition of the District's financial statements for the fiscal year ending September 30, 2005. Mr. Krchnak noted that this report included, as required by GASB34, a Management Discussion and Analysis. He also noted that the District's fund balance had grown because capital outlays had been deferred to a later period. **Director Howe moved, seconded by Director Maxey, that the Board approve the Audit Report and Management Report, copies of which are attached as Exhibits "B" and "C," and authorize filing the Audit Report with the Texas Commission on Environmental Quality and the City of Austin. The motion passed unanimously.** Director Howe asked that the record reflect that the audit was conducted by a different member of the Maxwell Locke & Ritter staff to assure a fresh review. Director Howe observed that the District's water accountability ratio was

1 96.1 percent, indicating that the District experienced a water loss of only 3.9 percent.
2 Director Maxey asked about the generally accepted standard, and Ms. Wingrove
3 responded that the general requirement is 85 percent, but that Ms. Wingrove's firm
4 strives to keep the water loss to less than 10 percent. Director Howe commended Ms.
5 Wingrove for her efforts.

6
7 Director Walters then recognized Ms. Wingrove for a financial report, attached as
8 Exhibit "D," and utility manager's report, attached as Exhibit "E." Ms. Wingrove
9 reported that the drought appeared to be increasing revenues. She further stated that
10 lower-than-anticipated tax revenues appeared to be because of delays in receiving
11 funds from the Travis County Tax Collector. Director Howe noted a bookkeeping
12 change necessary for office personnel. Ms. Wingrove further discussed the need to
13 approve the transfers of funds as noted on Pages 14 and 15 of her report. **The**
14 **Finance Committee recommendation serving as a motion and second to**
15 **approve the transfers, the motion passed unanimously.**

16
17 In her utility report, Ms. Wingrove noted that she was sending a letter to customers
18 who experienced unusually elevated water usage to advise them they may want to
19 investigate possible leaks. She stated several customers thanked her for her attention,
20 and the Board, especially Director Maxey, commended her for the effort.

21
22 Director Walters then announced that the Board would receive input from citizens
23 and recognized Mr. Armistead, a resident of the Wildflower subdivision in Northtown
24 Municipal Utility District and member of the board of directors of the Wildflower
25 Homeowners' Association, who inquired about covenant enforcement in the
26 Wildflower neighborhood. Director Walters explained that Northtown Municipal
27 Utility District was generally responsible for covenant enforcement within its
28 boundaries and that Northtown Municipal Utility District had hired Wells Branch
29 Municipal Utility District to perform certain restrictive covenant services for and on
30 behalf of Northtown Municipal Utility District. He added, however, that it was his
31 understanding that the Wildflower Homeowners' Association had elected to be solely
32 responsible for restrictive covenant enforcement within the Wildflower
33 neighborhood. Mr. and Mrs. Price, who said they were unable to sell their home in
34 the Wildflower neighborhood at the price they wanted, asked about the nature of
35 enforcement, and the Board generally provided information about the authority of
36 municipal utility districts to enforce restrictive covenants. Discussion ensued. Mr.
37 Armistead contended that the lack of proper restrictive covenant enforcement within
38 the Wildflower neighborhood had caused property values to decline. Director Walters
39 noted that property values had decreased throughout Travis County, including
40 property values within Wells Branch Municipal Utility District. He advised the Prices
41 that the Board had no jurisdiction over the enforcement of covenants in a
42 neighborhood that was not in Wells Branch Municipal Utility District and encouraged
43 the Prices and any other residents of Wildflower to address their concerns directly
44 with the Wildflower Homeowners' Association, which had the responsibility, as well
45 as the funding, to enforce the restrictive covenants within its area.

46
47 Mr. Armistead then reminded the Board of the complaint lodged with the District on
48 behalf of Wildflower Homeowners' Association regarding certain property
49 management services provided to Wildflower Homeowners' Association under a

1 separate contract between Mr. Williams and Wildflower Homeowners' Association.
2 He alleged that Mr. Williams had inappropriately used District resources for a private
3 purpose and argued that this relationship appeared to violate the conflict of interest
4 standards in the District's Code of Ethics. He questioned whether the Board intended
5 to take any action on the complaint.

6
7 At 6:47 p.m., Director Walters announced that the Board would convene in executive
8 session as permitted by the Texas Open Meetings Act for the purposes of discussing
9 personnel matters (Section 551.074). At 7:12 p.m., the Board reconvened in open
10 session, and Director Walters said that no action was taken in executive session.

11
12 Director Walters then announced that the Board had reviewed Wildflower
13 Homeowners' Association's complaint against Mr. Williams and had determined that
14 the relationship between Mr. Williams and Wildflower Homeowners' Association did
15 not constitute a conflict of interest under the District's Code of Ethics because Mr.
16 Williams was not acting in his official capacity as an employee of the District in
17 contracting with Wildflower Homeowners' Association. Director Walters further
18 announced that the Board had found no evidence of improper use of District
19 resources for a private purpose. He stated that a letter explaining and confirming the
20 Board's conclusions would be issued in the next few days. Mr. Armistead asked for a
21 copy of Mr. Williams' employee evaluation and for a copy of the Directors' faithful
22 performance bonds. Director Walters requested Mr. Armistead to submit a written
23 open records request to the District's attorney so that the District would be able to
24 respond appropriately.

25
26 Director Walters then announced that the Board would receive a report from the
27 District's manager, including reports on the Community Gardens; solid
28 waste/recycling services; facilities; landscape; restrictive covenants enforcement;
29 customer service; and recreation, attached as Exhibits "F" through "L." He advised
30 that District staff would be following IESI trucks to make sure of compliance. He
31 advised that the District may wish to review its overseeding program during dry
32 years, because the grass was too dry for a successful program this year. Director
33 Smith reported she had met with residents who suggested a Pond Clean-Up Day , and
34 she endorsed the idea. Mr. Williams noted there was no aquatics report and hoped to
35 advertise for a successor to the late Manny Woo.

36
37 Director Walters then recognized Mr. Bartram for a report from the District's
38 attorney. Mr. Bartram briefly reported on pending litigation and directed the Board's
39 attention to a discussion of new legislative conflict of interest disclosure
40 requirements, a copy of which is attached as Exhibit "M," for inclusion in the
41 District's Code of Ethics. He presented a draft Election Agreement, a copy of which is
42 attached as Exhibit "N," from Travis County for election administration to satisfy new
43 legal requirements regarding making voting accessible to disabled voters. He noted
44 that Travis County had indicated it would not conduct elections in the small portion
45 of the District located in Williamson County and that, therefore, a separate contract
46 would be necessary with Williamson County. He suggested that, in the interest of
47 time, the Board direct him to proceed with negotiation of the contract with Travis
48 County and authorize Director Walters to execute when finalized. He noted that the
49 form of the contract with Williamson County would be presented at a later time.

1 **Director Smith so moved, seconded by Director Howe, and the motion**
2 **passed unanimously.**

3
4 Director Walters then recognized Mr. Ferguson for a report from the District's
5 engineer, attached as Exhibit "O." He reported that Travis County Emergency
6 Services District No. 2 had requested a map of water lines and fire hydrants, which he
7 intended to provide. He noted that he expected a formal request from developers for
8 more LUEs in Phase R, possibly to accommodate an apartment building.

9
10 Director Walters then announced that the Board would consider items on its consent
11 agenda, including;

12
13 **Agenda Item No. 8** Approve minutes of January 3, 2006 regular
14 meeting;

15
16 **Agenda Item No. 9** Approve Finance Committee
17 recommendations regarding payment of bills
18 and invoices, and write-offs, attached as
19 Exhibits "P" and "Q," respectively;

20
21 **Director Howe moved, seconded by Director Smith, approval of the**
22 **Consent Agenda as presented, and the motion passed unanimously.**

23
24 Director Walters then announced that the Board would receive reports from
25 Committees:

26
27 **ADMINISTRATIVE COMMITTEE:** Director Walters advised that the Committee
28 was preparing the District manager's performance review.

29
30 **FACILITIES COMMITTEE:** Director Smith presented the report of the
31 Committee, a copy of which is attached as Exhibit "R." *The Board generally directed*
32 *the Committee to proceed with negotiations with Bratton Wood Homeowners*
33 *Association.*

34
35 **FINANCE COMMITTEE:** No report.

36
37 **PUBLIC SAFETY COMMITTEE:** No report. Mr. Williams advised he was
38 reviewing the performance of the security contractor.

39
40 **RECREATION COMMITTEE:** Director Walters presented the report of the
41 Committee, a copy of which is attached as Exhibit "S," including a recommendation
42 regarding the use of the Recreation Center gym by nonsanctioned groups. *The Board*
43 *generally concurred with the recommendation.*

44
45 Director Howe then announced that the Board would receive announcements by
46 Board members. Director Smith reported on events in the forthcoming primary
47 election. Director Howe discussed a forthcoming meeting of the Texas Water
48 Conservation Association.

1
2 There being no further business to come before the Board, the meeting adjourned at
3 8:15 p.m.

4
5 Respectfully submitted:

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8
9
10 February 7, 2006

11 Date

12 Joy Smith, Treasurer and
13 Assistant Secretary
14 Board of Directors
15 Wells Branch Municipal Utility District

16
17 (SEAL)