

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

January 29, 2007

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on January 29, 2007, at 230 Spring Hill Drive, Suite 325, Spring, Texas 77386, in accordance with the duly posted notice of the meeting, with a quorum of Directors present, as follows:

Danny E. Agans, President
Michael Smith, Vice President
Jon Vallery, Secretary
Charles W. Venema, Director
Duane Burrell, Director

and the following absent:

None

Also present were Bill Russell, Mike Williams, Herman I. Little, Jr. and persons on the attached list.

1. Director Agans announced that the Board will convene in an executive session for the purpose of deliberating on the deployment or specific occasions for implementation of security personnel or devices. Upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to temporarily adjourn the public meeting and to convene in an executive session as allowed by law. The public meeting was adjourned at 7:10 p.m.

2. At 8:42 p.m., upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to reconvene in a public meeting.

3. The Chair requested a report by the District's bookkeeper. Bill Russell addressed the Board and presented a report and budget analysis for six months of the current fiscal year. Mr. Russell stated that he had reviewed the budget and is presenting a projected budget with actual revenues and expenses for six months with projections of revenues and expenses for the remaining six months. The projects reflect a conservative approach, with revenues projected low and expenses projected high. The bookkeeper's conclusion is that the District will spend approximately \$400,000 for law enforcement services during the current fiscal year, and the District will have net revenues of \$45,000 at fiscal year end. In response to a question by the Board, Bill Russell noted that the average law enforcement expenditures have been \$14,462.42 per pay period, and with 26 pay periods per year, the total expense would be \$376,023.02. This number was rounded up to \$400,000 as a conservative estimate.

Bill Russell stated that he has made an analysis of three law enforcement proposals with tabulated information provided by Director Venema. The analysis indicates that

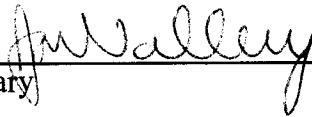
all three agencies will perform the same tasks and will use the same number of officers. The principal immediate difference is in the initial costs of the proposals. The initial cost for Oak Ridge North would be \$138,600. The initial cost for the Montgomery County Sheriff would be \$226,057, and the initial cost for the Precinct Three Constable would be \$37,915. Mr. Russell stated that the District has a present fund balance of \$750,000 in the general fund, and it is very important that the Board maintain six months of expenditures at all times. If a major repair were needed, the expenditure could be substantial, and any insurance reimbursement would take at least 90 days. The District should never go below three months of expenses in the general fund. Mr. Russell stated that upon his review of the financial aspects of the proposals, his recommendation would be that the Board should accept the proposal from the Precinct Three Constable that would include purchasing one vehicle and adding one additional officer immediately.

Herman Little addressed the Board and stated that he had reviewed the proposals and the financial requirements under each proposal. The attorney also reviewed the District's maintenance and operations tax and identified circumstances in which additional maintenance and operations tax revenues could be made available to pay for additional costs of law enforcement. The attorney then distributed an analysis reflecting each proposal for law enforcement services with comparisons of tax revenues that would be required and demonstrating the effects of each proposal on the debt service tax rate and debt service requirements. The attorney noted that with an estimated increase in taxable value for 2007 of the same magnitude as in the previous year, the Board would be able to reduce the debt service tax rate in 2007 and provide the opportunity to increase the maintenance and operations tax rate without an overall tax rate increase. The attorney noted the difference in maintenance tax revenue requirements under each of the four proposals and noted that with the assumption of growth for 2007 and an assumption of an additional \$10 million of taxable value by 2008, the Board would be able to provide adequate funding for law enforcement expenses on an on-going basis and would likely be able to reduce the overall tax rate somewhat.

The Board reviewed the comparisons for each of the law enforcement proposals, including the Constable's alternative for purchasing and sharing vehicles. The Board then reviewed a sample notice of water district tax rate that was prepared by the District's tax assessor/collector that would indicate the possible tax increase amounts and percentages with assumptions of growth in homestead values of the same magnitude as the increase to 2006. By keeping the overall tax rate the same, the District would have a tax increase on the average homestead value of \$36 per year, and the percentage increase would be slightly over 4%. The District would therefore not be vulnerable to a petition for a rollback tax election.

4. The Board then considered proposals for law enforcement services submitted by Oak Ridge North, the Montgomery County Sheriff and the Montgomery County Precinct Three Constable. Upon motion by Director Venema, seconded by Director Burrell, the Board voted four in favor and none against the motion to accept the proposal from the Precinct Three Constable that would include purchasing vehicles and sharing vehicles over the three-year contract. Director Smith abstained from the vote. Director Agans expressed appreciation to the three law enforcement agencies for their proposals and their courtesy in assisting the District.

5. The Board noted that there will be no special meeting prior to the next regularly scheduled meeting. The meeting was adjourned at 9:13 p.m.


Secretary