

# **RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**

Minutes of Meeting of Board of Directors  
September 10, 2007

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on September 10, 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  
Duane Burrell, Director  
Charles W. Venema, Director

and the following absent:

Michael Smith, Vice President  
Jon Vallery, Secretary

Also present were Vickey Sullivan, Bill Russell, Mike Williams, Jason Hajduk, Jim Holcomb, Constable Tim Holifield, Mike McCall, Herman I. Little, Jr. and persons on the attached list.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. Minutes of the meeting of August 13, 2007 were presented and reviewed. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve the minutes as presented.

2. Vickey Sullivan presented a tax assessor/collector's report. 2006 taxes are 98.3% collected. After discussion, upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to approve the tax assessor/collector's report as presented.

3. At 7:01 p.m. the Board convened in a public hearing to consider the proposed 2007 tax rate. Vickey Sullivan reported that the notice of public hearing on the tax rate had been published in a newspaper as required by law. There was discussion of the proposed tax rate and of the financial advisor's recommendation that the debt service tax rate be reduced by \$0.10. The Board also determined that the maintenance and operations tax rate would be increased by \$0.04. The 2007 tax rate of \$0.642 will result in an overall reduction in the tax bill for taxpayers in the District. After discussion, the public hearing was closed at 7:06 p.m.

4. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to adopt the Order Accepting Appraisal Roll and Levying Tax for 2007, which Order is attached to the minutes.

5. Upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to approve and sign an Amendment of Statement of Directors as required by the Texas Water Code.

6. Mike McCall presented an audit report for the fiscal year ended May 31, 2007. The District added 280 connections during the year, bringing the total to 3,644 active connections. The taxable assessed valuation increased by \$48 million. The tax rate was reduced by \$0.06 from 2005 to 2006. Mike McCall reported that he is issuing an unqualified opinion to the effect that the financial statements fairly present the financial condition of the District. A management discussion and analysis was prepared as the Board's description of the District's financial activity. The auditor's opinion does not cover the MD&A.

The auditor then reviewed schedules and tables included in the report as required by TCEQ rules. The general fund balance declined by \$102,000 during the year. There was an overall variance in the general fund budget of a negative \$147,478. Revenues were lower than anticipated, and expenses were higher. Customer revenues were low primarily because of rainfall during the year. Repairs and maintenance expenses were higher. Mr. McCall noted that the balance of the debt service fund should be explained because only one debt service payment had been made prior to the May 31, 2007 fiscal year end. The debt service fund balance is sufficient but is overstated because of the audit timing. There is \$540,000 in escrow in the capital projects fund. The auditor described adjustments that had been made from a funds status report to an entity-wide report. All investments have done well, and there are no recommendations for changes in the District's investments.

Mike McCall then presented a management letter required under SAS 112. The letter reflects material weaknesses in the District's system of internal controls. A material weakness results from the District's use of consultants to provide services to the District. There is no person on the District's Board or staff who can prepare financial statements and schedules of capital assets, so the auditor performs these tasks for the District. Almost all municipal utility districts have this situation, and the audit industry has called attention to the responsibility of the auditors to be independent from the organization. Of 250 entities audited by the firm, only four try to adhere to the audit standard. The management letter therefore reflects the District's method of doing business. In response to a question by Herman Little, Mike McCall stated that the District is in compliance with requirements of the TCEQ. The TCEQ will not have any criticism of the District because of the management letter. After discussion, upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve the audit report for the fiscal year ended May 31, 2007, and the Board further authorized completion and filing of the report as required by law.

7. Mike Williams presented an operator's report. The District had water and waste collection revenues of \$149,733.76. Total revenues were \$180,523.80. The wastewater treatment plant operated properly at 72% of permitted capacity. There were no permit violations. Eleven bacteriological samples were taken, and all were satisfactory. The District accounted for 95% of water produced. Three taps were made during the month, bringing the total to 114 for the year-to-date. The District has 3,694 connections. Mr. Williams presented a list of delinquent accounts that are uncollectible and recommended that they be written off. Upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to authorize

writing off delinquent accounts totaling \$44.40. After further discussion, upon motion by Director Burrell, seconded by Director Agans, the Board voted unanimously to approve reimbursement of Mr. and Mrs. Jacobs for expense incurred in connection with the District's recycling service.

8. Mike Williams presented a report on Imperial Oaks Parks. Nine calls were received for use of facilities, five for the playground, and four for the ball fields. The new fence was installed at Thorsby Park. There was vandalism in which unknown persons started a fire on the entry bridge at Imperial Oaks Park. The damaged area has been taped off pending repairs. Upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to authorize the operator to make necessary repairs of the damaged bridge in Imperial Oaks Park.

9. The Board reviewed correspondence from Republic Waste Services requesting a change in the day of recycling collection from Wednesday to Saturday. It was mentioned that the District's customers have been informed that recycling will be collected on Wednesdays, and if the change is approved, the solid waste collection contractor should be required to provide a written notice for each customer describing the change in collection day and state the effective date of the change. The notice can be given by inclusion in the District's next bill or by a direct letter to customers. After discussion, upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to approve the change in the recycling collection day to Saturday, and the Board further voted to require Republic Waste Services to provide written notice to each District customer informing the customer of the change and the effective date of the change, which will be in October. Mike Williams noted that people have been calling concerning the exemption from recycling fees. It was mentioned that the District does not exempt customers from payment for recycling service, but for persons age 65 and older and disabled persons, the Board has granted a reduced fee. Mike Williams stated that the operator will maintain a list of customers who call concerning the recycling service.

10. The Chair called for customer inquiries, and Jim Nichols addressed the Board and stated that he has been impressed by the favorable response to the District's recycling program. Mr. Nichols suggested that if the notice is inserted with a District bill, it should be in large type and bolded to ensure that customers will see the notice. Mr. Nichols stated that the customers should be given plenty of lead time before making the change.

Len Dickinson addressed the Board and stated that he is concerned about vehicles exceeding the speed limit in his neighborhood in the area of West Wellsford Drive at Moston. Mr. Dickinson suggested that an officer be placed at that location to encourage motorists to observe the speed limit. There was discussion of a sign at Imperial Oaks Boulevard and Rayford Road that allows turns to the left from the center lane only. The officer should be required to enforce stop signs throughout the District, particularly on Cross Springs Drive and Caraquet.

11. Bill Russell presented a bookkeeper's report, a copy of which is attached to the minutes. After payment of bills at this meeting, the debt service fund balance will stand at \$1,570,091.48. The capital projects fund balance is \$1,597,118.31. The general fund balance is \$549,398.89 following deposit of a transfer check approved at this meeting. Bill Russell noted that he has had a lot of problems with billings for street lights as a result of changes in electricity

providers. A refund is expected from Constellation Energy. Electric service to two lift stations is being provided by Reliant Energy, but these will be changed to the new contractor as soon as possible. After discussion, upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to approve the bookkeeper's report and authorized payment of bills listed thereon.

12. The Board reviewed a Resolution Affirming Review of Investment Policy, Strategies and Objectives. It was mentioned that the auditor did not identify any problems with the District's investment policy or investment activities. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to adopt the Resolution Affirming Review of Investment Policy, which Resolution is attached to the minutes.

13. It was mentioned that the District has agreed to provide updated information on the District's financial condition and operating condition for use by investors and potential investors. The Board has used the services of First Southwest Company to prepare the continuing disclosure filing in the past. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to engage First Southwest Company to prepare the continuing disclosure filing as required by law.

14. Jason Hajduk presented an engineer's report. The Rayford Road storm sewer is complete, and road construction will commence soon. The relocation of utilities by AT&T on Robinson Road has been completed, so the storm sewer project in Robinson Road will start now, as well. The discharge permit renewal forms have been completed, and the application for renewal will be filed with the TCEQ. There is a problem with drainage in Imperial Oaks Park, Section Nine where the ditch is holding water. This blockage occurred when the adjacent road was installed. A swale is needed to relieve standing water. No action is needed at this time, but the situation will need to be corrected in the future.

15. Jim Holcomb presented a developer's report. Mr. Holcomb suggested that the Board have all fire hydrants inspected, and where necessary have the tops painted. Mike Williams advised the Board that the fire hydrant inspection program has already commenced. Mr. Holcomb reported that there are 130 lots remaining for construction in the District. 160 homes have been sold this year. Mr. Holcomb is very happy about the tax rate reduction, and with additional value being added by the Kroger center and commercial properties, an additional rate reduction should be possible next year, as well. The Kroger store will be open at the end of the year or right after the first of the year. Some of the other commercial space will be finished before Kroger. The Chase Bank location will be opening soon. There will be an annual homeowners association meeting at Kaufman Elementary School this week.

16. Constable Tim Holifield presented a law enforcement report. There were 728 calls and 29 arrests during the month. There were 430 traffic contacts and 24 additional investigations. One death was investigated. Constable Holifield stated that in the future, he may ask for additional assistance to conduct investigations of incidents that occur within the District. The investigative services are now being absorbed by the constable's staff. There was discussion of signs to be installed at entrances to the District informing the public of the Precinct 3 Constable's patrol. Herman Little reported that he had provided the text of signs to Art Salinas in the Precinct 3 Commissioner's Office. Constable Holifield reported that the bicycle patrol

will start in the near future. The officers must be certified to serve on bicycle duty, and the officers will go to school to obtain the certification. In response to a question by the Board, Constable Holifield confirmed that a sign will be provided for installation on the door to the Constable's office at the recreation center.

17. The Board reviewed a proposed Interlocal Cooperation Agreement for Law Enforcement Services with Montgomery County. Herman Little described changes that have been made from the prior year's contract. There was discussion of the time within which notices of problems or disputes may be resolved and the procedures for resolving disputes. Constable Holifield stated that a short period of time, fourteen days, would be appropriate, because no problem or conflict should remain unresolved for more than fourteen days. It was mentioned that the dollar amounts in the proposed agreement are the same as in the previous year, and the county will be revising compensation and benefits for the coming year. The revised amounts will be included in the proposed agreement. Constable Holifield stated that he has reviewed the agreement and finds it satisfactory. After discussion, upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve and authorize completion of the Interlocal Cooperation Agreement for Law Enforcement Services as revised at this meeting.

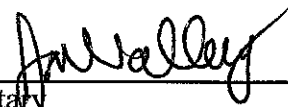
18. Director Venema addressed the Board and stated that he has made an analysis of costs of law enforcement services and has prepared a proposal for sharing of costs by MUD 99 and MUD 115. If the two new districts can participate with the District in funding law enforcement services, then additional officers can be added with the costs to be split among the districts. The result will be to increase patrols in the District as well as to provide patrols within the new districts. In response to a question by the Board, Director Venema stated that the proposed costs would not include the cost of a new vehicle that would be required after adding additional officers. The District will be receiving funds from the other districts for a period of time before a vehicle is purchased, and the District would be able to pay the costs of a vehicle without participation by the other districts. After discussion, upon motion by Director Agans, seconded by Director Burrell, the Board voted unanimously to approve the proposal outline for additional law enforcement services as presented by Director Venema, and the Board authorized Director Venema to contact the developer n MUD 99 and MUD 115 concerning the proposal.

19. The Board reviewed an Interim Wastewater Treatment Capacity Lease Agreement. Herman Little advised the Board that several months ago, the Board had agreed to provide interim wastewater treatment service to Montgomery County MUD No. 99 pending completion of the MUD 99 wastewater treatment plant. The compensation to be paid by MUD 99 was to be in the form of removal of sludge from the District's treatment plant at MUD 99's expense. The proposed Interim Wastewater Treatment Capacity Lease Agreement will memorialize the Board's original commitment and will provide additional terms and conditions that will protect the District during the time that wastewater treatment service is being provided. The agreement will limit wastewater treatment to domestic wastewater only. The agreement will provide for a lease payment plus payments for wastewater treatment actually provided in addition to the monthly lease payments. In addition, if service continues to be provided to MUD 99 after the original lease term, then MUD 99 will make additional payments to the District according to the agreement. After discussion, upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve and authorize signing the Interim

Wastewater Treatment Capacity Lease Agreement with Montgomery County Municipal Utility District No. 99, as presented.

20. It was mentioned that the secretary of the Board is not present at this meeting, and it is appropriate for the Board to appoint a director to serve as assistant secretary of the Board. Upon motion by Director Burrell, seconded by Director Agans, the Board voted unanimously to appoint Director Venema as the District's assistant secretary.

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

  
Secretary