

## RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

June 11, 2012

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on June 11, 2012 at 312 Spring Hill Drive, Suite 100, West Entrance, Spring, Texas 77386, in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Jon Vallery, President  
Michael Smith, Assistant Secretary  
Paul Alli, Director

and the following absent:

Frank Moore, Vice President  
Charles Saxe, Secretary

Also present were Mike Williams, Jason Hajduk, Bill Russell, Sergeant John Hanson, and Lori G. Aylett.

1. Minutes of the meeting of May 14, 2012 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. The Board deferred approval of the Oath of Office and related documents of newly elected Director Frank Moore, as he was absent from the meeting.

3. Sergeant Hanson presented a law enforcement report. During the month of May, the District experienced one burglary, six thefts, seven accidents, 15 disturbances, four acts of criminal mischief, and three misdemeanor assaults. The officers had 144 traffic enforcement contacts, and 653 other miscellaneous contacts. Director Alli noted that he had been contacted by a neighbor who stated that their keys were stolen from under their doormat, and he reported the incident to Sergeant Hanson for his information.

4. Bill Russell presented a bookkeeper's report, a copy of which is attached. The debt service fund balance stands at \$2,389,480.77. The capital projects fund balance is \$2,171,895.68. After payment of the bills, the operating fund balance will stand at \$1,110,347.39. At the end of the fiscal year, the District had unaudited revenues in excess of expenditures of \$345,628.54. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed thereon. By separate motion and upon unanimous vote, the Board approved payment of director fees and expenses as listed on the report.

5. The Board reviewed the ethics letter and update by investment officer, Bill Russell. The attorney noted that annually the investment officer is asked to disclose whether he has any personal business relationships as that term is defined by statute with anyone offering to engage in an investment transaction with the District. Mr. Russell submitted the required disclosure which indicated that he had no such relationships to disclose. The attorney noted that

this document would be filed with the Texas Ethics Commission and in the District's records as required by law. Upon unanimous vote, the Board approved the investment officer disclosure as presented and authorized its necessary filing.

6. Mike Williams presented an operator's report. The District has 3,807 connections, and the District provides garbage services to 3,561 connections. The operator performed required bacteriological testing at 10 locations in the District, and all samples were acceptable. The District billed its customers \$215,651.15. The District accounted for 94% of the water produced. The sewage treatment plant operated within permit and at 71% capacity. During the month, the operator made three new taps. The operator proposed that three accounts be written off as uncollectible, and the total of the write-offs would equal \$249.40.

The operator noted that as of September 1, the San Jacinto River Authority will increase its pumpage fee to the District to \$1.25 per 1,000. The District's Rate Order provides that this increase will be passed along to customers, along with an administration surcharge to account for lost water.

The operator reported on the water supply situation and the District's Drought Contingency Plan. Last Monday morning, the District's ground storage tank had only six feet of water in it. This indicates that customer usage was substantially increased during the dry and hot weekend. The operator responded to the situation by lowering system pressure, which allowed the ground storage tank some additional opportunity to refill. Last month, the operator had recommended that the District discontinue Stage 1 of its Drought Contingency Plan. He noted that the District still had not met the Stage 1 trigger, but it would be important for the District's well contractor to complete the new water well project in a timely fashion to avoid going into Stage 1 drought conditions again. The Board noted that the Drought Contingency Plan provided that the operator was designated to declare Stage 1 of the Drought Contingency Plan, if the triggering conditions were met. The Board confirmed that the operator would be so authorized to act, should conditions warrant.

Director Alli addressed a member of the audience who was also on the Property Owner's Association board and asked them to communicate with the residents regarding voluntary conservation measures. The operator also noted that the District would want to revamp its Drought Contingency Plan after water well no. 3 is complete. After review of the operator's report, upon unanimous vote, the Board approved the operator's report as presented and authorized write-off of the accounts presented by the operator.

7. Mike Williams presented a report on the status of the parks and recreational facilities of the District. The operator performed regular mowing and clean-up of the wetlands and cut down six dead trees in the wetlands area. There were 18 calls for use during the month of May, eight for the pavilion, and 10 for the ball fields. In the parks, the operator performed regular mowing and clean-up, replaced the basketball nets, planted annuals, and performed related work. The operator presented a bid for building of a bridge in an area of the wetlands where water collects across the sidewalk. A contractor bid a price of \$5,650 to build a 72-foot long six-foot wide bridge across the wet area. The engineer noted that the bridge was the best option for the District, since the District cannot place fill in the wetlands area. Upon unanimous vote, the Board authorized award of the contract to construct the bridge.

The operator reported that regular mowing and clean-up was done at the soccer and T-ball fields. The operator sprayed the backstops and outlines on the field with weed killer and made repairs to the irrigation systems at the ball field.

8. Jason Hajduk presented an engineer's report. First, he presented the Board with correspondence dated June 1, 2012 indicating that Pate Engineers, inc. had changed its name to IDS Engineering Group. The engineer noted that this was a name change only, and the people, organization and commitment to the District would not change. The IDS Engineering Group will operate under the same Federal Tax Identification number and will maintain licensure with the Texas Board of Professional Engineers without change. The Board acknowledged the name change and congratulated Mr. Hajduk on his position with the company.

The engineer presented options for the sanitary sewer rehabilitation in Sections One and Three. Option A covered the most critical items that are in need of repair, and the cost estimate for that work is \$669,858. Option B repairs would include all the priority one repairs in Option A and Priority 2 repairs. The cost estimate for Option B is \$1,045,298. Option C would encompass total replacement of lines in Sections One and Three at a cost of \$2,323,620. The engineer noted that Section Three had more problems with inflow and infiltration than Section One. The engineer noted that the sanitary sewer conditions would continue to slowly deteriorate over time. After discussion of the various options, the Board authorized the engineer to prepare a proposal for engineering and design costs associated with preparation of bid specifications and advertising for those items in Option B.

The engineer presented a comparison of budgeted versus actual expenditures from Bond Application No. 12. The engineer projects that the District will have surplus funds of \$560,703.55 when the projects are all completed.

The engineer then reported on the status of well no. 3. As was previously reported by the operator, the District had been experiencing extreme heat and lack of rain, and the District might be required to initiate the Drought Contingency Plan if the new well cannot be put on line soon. After speaking with the contractor, the engineer offered three options for getting the well on line more quickly. First, the District could consider installing a temporary right angle drive, temporary diesel engine and temporary electrical appurtenances. This option would take two to three days to set up and would cost approximately \$23,000 plus \$450 per day rental plus fuel costs. The second option would be to consider the installation of the permanent generator, well motor, a temporary starter, and a temporary wiring and start-up. This option would take approximately seven days to set up and would cost \$20,600 plus fuel costs. Option 3 is to continue to wait for the motor control center to be delivered and installed. Based on the current schedule, the District could expect to supply water in 19 days. The engineer presented the well no. 3 completion schedule and noted that the contractor was complying with the terms of the contract for completion and was not in breach. The contractor had by his original schedule planned to have water on June 11, but the motor control center is now estimated to be completed by June 18. The operator noted that the District still has not opened the MUD 99 interconnect and was authorized by contract do so.

The engineer noted that he is scheduled to meet with the contractor at 9:00 a.m. on Wednesday morning to impress upon him the importance of completing the project in a timely manner.

Director Vallery noted that if the District is required to go to Stage 1 drought contingency conditions, it will cost the District a minimum of \$5,000 due to the necessary notifications that must be sent to residents. Director Vallery noted that he does not have faith that the contractor will complete the project in a timely manner, and he would like the Board to take more aggressive action to assure the delivery of adequate water supply. Directors Smith and Alli noted that the two proposals presented by the engineer for getting water service early involve substantial expenditures and only result in getting water a few days earlier. After a full discussion of the matter, the Board instructed the engineer to report to the Board President if the motor control center is not installed by June 8. If this occurs, the Board President can discuss whether a meeting should be called or action should be taken to consider Option 1.

The engineer plans to start Phase 2 construction of the ground storage tank replacement and water plant no. 2 modifications after the summer time.

The engineer noted that he had not had any additional correspondence from the Primrose School of Imperial Oaks regarding the possibility of annexation.

The engineer is working to complete the wastewater treatment plant permit renewal. The operator is running 37 different tests that are required to be included in the permit renewal documentation.

With regard to the wastewater treatment plant head works, the engineer reviewed the District's existing facilities. The engineer noted that the replacement make and model can only be purchased from one supplier. The attorney noted that if there is a sole source for District equipment, the District is not required to advertise for bids or solicit competitive bids. The replacement cost of the project is \$56,000. Upon unanimous vote, the Board found and determined that the wastewater treatment plant head works was subject to sole-source rules and authorized the purchase of a new model for \$56,000.

Finally, the engineer discussed the status of the various interconnects. The District currently has four interconnects. The 99 interconnect is usable and is a 12-inch water line. With regard to the Spring Creek interconnect, the engineer believed that the interconnect was a 12-inch, but the operator believes that the size of the interconnect is reduced to eight-inch underneath Rayford Road. The operator and engineer do not know the status of the Southern Montgomery County MUD interconnect or whether it is usable. The Board authorized the operator and engineer to investigate further. The engineer noted that the District does not currently have an agreement with its neighbor, Montgomery County MUD 88. The Board noted that it would not be appropriate to discuss another interconnect agreement until the new well is on line.

9. The Board discussed the District's Rate Order and charges to the Property Owner's Association for irrigation rates. Until last year, the Homeowner's Association paid a

\$10 flat fee per meter per month, no matter what the usage was. According to the operator, they have five meters that register usage of between 100,000 and 200,000 gallons per month. Under the District's new rate structure, the POA is charged the same as a homeowner, and due to the increasing block rate structure, the meters that register large water usage generate huge bills to the Property Owner's Association. The increasing block rate is designed to encourage homeowner conservation but does not serve that purpose on a large irrigation meter. The Board noted that it would be appropriate to change the rate structure for the homeowner's association, since it is a community consumer providing services for the good of the neighborhood. After discussion, the Board agreed that the District's rates for community consumers should be changed as follows: the first 6,000 gallons would be subject to a minimum charge of \$14.50; from 6001 to 50,000 gallons, \$1.00 per 1,000; from 50,001 to 100,000 gallons \$1.65 per 1,000; 100,001 to 150,000 \$1.90 per 1,000; and all usage over 150,000 gallons would be \$2.25 per 1,000. Upon unanimous vote, the Board adopted the attached Resolution for Adoption of Order Establishing Policy and Rates for Water and Waste Collection and Disposal Service and Imposition of Penalties as presented.

10. Jim Holcomb was not present, but he had emailed the attorney with a developer's report. In the Kroger Shopping Center, the Tutti Fruitti yogurt shop will open in an about three weeks. The Memorial Hermann doctors' office is under construction with a planned opening in July. The developer will continue to work with newly elected Commissioner Noack on the Rayford Road expansion issues. The developer will transfer funds to Montgomery County MUD 115 for purchase of water capacity in time for the District's July Board meeting.

11. Under pending business, a resident at the meeting complained about trash being thrown on Rayford Road. The Board members encouraged the resident to contact Montgomery County regarding that matter.

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

Ass't.   
Secretary