

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
November 12, 2012

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on November 12, 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:

Frank Moore, Vice President
Michael Smith, Assistant Secretary
Paul Alli, Director

and the following absent:

Jon Vallery, President
Charles Saxe, Secretary

Also present were Bill Russell, Mike Williams, Jason Hajduk, Drew Masterson, Lester Smith, Al Newton, Lieutenant Atkins, Sergeant David Wees, Mr. Jim Nichols, Mrs. Kathryn Nichols, and Lori G. Aylett.

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

1. Minutes of the meeting of October 12, 2012 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.
2. Lieutenant Atkins presented a law enforcement report and reported that there were 175 calls; 22 reports taken; no felony arrests; 12 misdemeanor arrests; 284 citations; no recovered property; and 12 charges filed. The constables drove a total of 6,799 miles during the month. Lieutenant Atkins reported that a new Chevrolet Tahoe had been purchased for the District's fleet.
3. Bill Russell presented a bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$1,907,795.05. The capital projects fund will stand at \$1,423,921.99. After payment of tonight's bills, the operating fund will stand at \$1,476,612.00. Year-to-date revenues exceed expenditures for the first five months of the fiscal year by \$347,656.37. Upon unanimous vote, the Board approved payment of director fees and expenses. Upon unanimous vote by separate motion, the Board approved the bookkeeper's report as presented and authorized payment of the remainder of the District's bills.
4. Mike Williams presented an operator's report. The District billed \$361,519.30. The operator took 10 bacteriological samples, all of which were within acceptable limits. The District served 3,808 customers, and 3,571 customers received all services including garbage. The District accounted for 93% of the water produced. The sewage treatment plant operated at 71% of capacity with no violations. The operator requested write-off of 14 accounts totaling \$2,002.19. Birnamwood Elementary School requested that their elementary school

children be given a tour of the District's wastewater treatment plant. There will be 250 children in the tour, and the operator will coordinate it so that they will be taken to the plant in groups of 10. The Board thanked the operator for being active in the community and for giving assistance to the local school.

The operator noted that some residents had complained about erosion behind their property that is causing fences to fail. According to the operator, the District may own the reserve on the other side of the fence. The operator obtained a price from the contractor for clearing of the area. However, the engineer and operator confirmed that the property would still have to be stabilized or more erosion could occur. The engineer was not certain whether the District owned the property in question. The Board agreed to table further consideration of the matter pending resolution of ownership issues.

The operator reported on a customer complaint. On July 12 of 2011, the operator fixed a leak at this customer's home and replaced the sidewalk. The customer complained that the sidewalk had settled, and the operator confirmed that this had happened. The operator replaced the sidewalk. The customer then claimed that the repair had caused her entire driveway to settle. It was the operator's opinion that the driveway settlement was not a result of the District's work and was instead the product of natural settling. The Board reviewed photographs of the site. The Board noted that at this time, there were no facts to demonstrate that the District had any liability for the driveway settlement. The Board agreed that no District action should be taken on the customer's claim.

A customer at the meeting indicated that their bill had doubled recently. Mike Williams explained the procedures for meter readings by his company. Meters are read in-house, and any read over 30,000 gallons gets a re-read. The customer claimed that her water had been turned off for some of the time period in question. The operator discussed the general fees of the District, along with the surface water conversion fees of the SJRA, the pumpage fees of the Lone Star Groundwater Conservation District, and related costs. Upon unanimous vote, the Board approved the operator's report and the write-offs as presented.

5. Mike Williams presented a parks and recreational facilities report. There were 27 calls regarding issues in the parks. Nine calls were for the pavilion, 16 calls were for the ball fields, and two calls were for general information. There was one party during the month of October. Ms. Marisol Mendeola reserved the pavilion for a party, and while her party was ongoing, Lone Star Recreation appeared on the site and tore down the old playground equipment. The Board voted unanimously to refund the customer's payment for the party and to offer her free use of the pavilion for a party next year.

The Board discussed the power outlet under the pavilion. The operator presented an estimate to replace the outlet of \$6,450. The Board suggested that the operator obtain a cost proposal for putting a plug on the exterior of the building.

The operator performed regular mowing and maintenance at the parks. The operator requested and received Board authorization to perform the winter seeding at the parks. Upon unanimous vote, the Board approved the parks and recreational facilities report as presented.

6. The Board considered renewal of the District's insurance policies. The attorney presented a proposal from Highpoint for renewal of the District's property, general liability, non-owned automobile liability, pollution, boiler and machinery, directors and officers liability, travel accident insurance, law enforcement liability, and directors and officers bonds and public employee blanket bonds. The premium cost was \$16,829, an increase of \$3,754. The attorney explained that most of the increase was attributable to the increased property and boiler and machinery coverage due to completion of the District's third water well. In addition, the District has a new \$1,000,000 sub-limit for quake, and extra expense coverage was increased from \$250,000 to \$500,000. The flood zone and earthquake deductible coverage increased to \$25,000, and a one percent deductible with a minimum of \$10,000 now exists for named storms. The extra fence deductible that was in last year's policy was removed. After discussion, upon unanimous vote, the Board agreed to renew the District insurance proposals with Highpoint.

7. Jason Hajduk presented an engineer's report. Plans and contract specifications for the Phase I sanitary sewer rehabilitation are complete. At well no. 3, the contractor furnished a cost proposal for installation of chlorination equipment and concrete steps as requested by the District operator. The chlorination equipment cost is \$3,390, while the concrete steps are \$875. Upon unanimous vote, the Board approved issuance of the change order as recommended by the engineer.

At water plant no. 1 ground storage tank replacement and water plant no. 2 modifications, Phase 2 construction has begun. The demolition is complete, and foundation construction is starting on Wednesday. When the contractor was preparing the site for the foundation construction, the contractor noticed that there were several corroded and leaking valves. For the plant to operate as intended, the engineer recommended replacement of the valves at a cost of \$15,000. Upon unanimous vote, the Board approved the issuance of the change order to replace the valves as necessary.

The wastewater treatment plant permit renewal application is complete. The engineer made the first publication on September 9. The engineer and attorney reviewed a draft of the permit and provided comments to the TCEQ.

The engineer discussed the Woodson's Gully drainage easement. The District's storm sewer outfalls into a detention pond maintained by Drainage District No. 10. This pond then outfalls into Woodson's Gully. The District is one of three grantees that are beneficiaries of a drainage easement dedicated across Woodson Gully. The property is now owned in fee by Drainage District No. 10. Any modifications to the easement that could impact drainage must be approved by all parties. Montgomery County MUD 115 is completing construction plans on a new section and has requested a small fill easement inside of the Woodson's Gully drainage easement. The area of fill is located on the east side of the easement, outside the floodway, floodway and area where the drainage ditch is physically located. The engineer noted that the fill easement would not impact the District's drainage in any way. He recommended that the District consent to the granting of the fill easement by the owner of the property, which is Drainage District No. 10. Upon unanimous vote, the Board approved the consent to the fill easement.

8. The Board considered a supplemental contract with the San Jacinto River Authority for design of the surface water construction line. In accordance with the Board's previous authorization, the District engineer will be designing the surface water transmission line. Costs of the design will be borne by the SJRA, and they will also bear the costs of construction of the line. Anticipated design phase engineering costs are \$203,975. The SJRA will deposit this money into an escrow account to be administered by the District. After review, upon unanimous vote, the Board approved the supplemental contract with SJRA as presented.

9. The Board considered a Resolution Casting Votes for Candidate for Appointment to the GRP Groundwater Review Committee. Al Newton addressed the Board of Directors and stated that he had served as the east side MUD representative for the past two years. He requested that the Board vote for him for an additional four-year term. After discussion, upon unanimous vote, the Board adopted the attached resolution casting its votes for Al Newton.

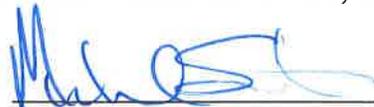
10. The engineer noted that there was no action to take on a request for out-of-district service from ESD No. 8. The fire department had originally contacted the engineer to request service, but they had since withdrawn their request.

11. The developer was not present, so no developer's report was given.

12. Drew Masterson addressed the Board of Directors. Mr. Masterson noted that his firm constantly monitors the District's bonded indebtedness and opportunities for refunding the District's outstanding debt at lower interest rates. The District has an opportunity to refund outstanding bonds. Mr. Masterson noted that he would recommend the selection of Southwest Securities as an underwriter, as they had done previous transactions. He asked the Board if they were willing to consider a parameters refunding bond deal. The Board noted that they were interested in pursuing the matter, authorized the financial advisor to begin preliminary preparations, and instructed the attorney to place the necessary items on the next agenda.

13. Under pending business, Mr. and Mrs. Nichols addressed the Board of Directors and thanked them for their action in purchasing and installing new playground equipment for the benefit of the residents.

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



Secretary