

## RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

June 10, 2013

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met at 312 Spring Hill Drive, Suite 100, West Entrance, Spring, Texas, on Monday, June 10, 2013, in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Jon Vallery, President  
Frank Moore, Vice President  
Brendon Keith, Secretary  
Michael Smith, Assistant Secretary  
Paul Alli, Director

and the following absent:

None.

Also present were Bill Russell, Mike Williams, John Montgomery, Jason Hajduk, Lieutenant Mike Atkins, Mark Czarny, Lori G. Aylett, 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 May 13, 2013 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Mark Czarny approached the Board and provided an update on his proposed Boy Scout / Eagle Scout project in the District. As previously discussed, Mr. Czarny had proposed a project to build eight benches by the soccer fields maintained by the District. The District engineer had informed the Board that the District would have to receive permission from the pipeline company to build anything on the soccer field, since there is an active pipeline under the field. It was now reported that Tennessee Gas Pipeline was purchased by Kinder Morgan and approvals will be delayed. Mark Czarny asked that the Board sign the initial application for approval of the Eagle Scout project. Upon unanimous vote, the Board approved the application as presented. Mr. Czarny informed the Board that he will not be able to attend the Board's July meeting but will return in August with an update.

3. Lieutenant Atkins presented a law enforcement report and reported the following statistics: there were 602 contract calls; 47 reports taken; seven felony arrests; 14 misdemeanor arrests; 303 citations and tickets; and 21 charges filed. The constables drove a total of 7,993 miles in the District during the month. Lieutenant Atkins reported that the new Tahoe should be available for use by the constables very soon. Bill Russell asked that the constables determine how to invoice the District for the vehicle. In the past, two different methods had been used. In one instance, the District paid the dealer direct, and in another instance, the District paid an invoice submitted by the Montgomery County Auditor. Mr. Russell stated that he did not have a preference and Montgomery County should do whatever is most

expeditious for them.

4. The Board reviewed the Interlocal Agreement with Montgomery County for Law Enforcement. The attorney reminded the Board that the contract renews automatically unless a termination notice is given 90 days before the end of the term. The next term expires on September 30, 2013. The Board noted that it was very satisfied with the services being provided and therefore determined to allow the contract to renew automatically for another year.

5. The Board considered the Interlocal Agreement between the District and Montgomery County MUD 99 for Law Enforcement. Again, the attorney reminded the Board that the contract renews automatically for a one year terms unless terminated. The District would be required to give notice of termination by August 7, 2013 to avoid the automatic renewal that will take place on October 6, 2013. Again, the Board noted that it was satisfied with the agreement with Montgomery County MUD 99, and accordingly they will allow the contract to renew for another year.

6. Bill Russell presented a bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$2,263,918.95. The capital projects fund will stand at \$945,940.69. The operating fund will stand at \$2,227,166.89. Year-to-date revenues exceed expenditures for the fiscal year by \$1,079,453.88. Upon unanimous vote, the Board approved payment of director fees and expenses. Mr. Russell noted that the tax assessor/collector's office reported that 2012 taxes are 98% collected. 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.

7. 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.

8. The attorney distributed a conflict of interest questionnaire to the Board. The Board members completed the questionnaires, noting no conflicts, and provided copies for the District's records.

9. Mike Williams presented an operator's report. The District billed \$251,126. The operator took 10 bacteriological samples, all of which were within acceptable limits. The District served 3,809 customers, and 3,583 customers received all services including garbage. The District accounted for 93% of the water produced. The sewage treatment plant operated at 76% of capacity with no permit violations. The operator requested write-off of five accounts in the amount of \$539.05. The operator reported that one tap was made during the month.

The operator stated they have upgraded the company's billing software and will have more e-billing options for customers. The operator reported that the SJRA's rates will

increase from \$1.25 to \$1.75 in September, and the rate increase will be passed through to the customers.

The Board reviewed a Notice of Enforcement received from the Texas Commission on Environmental Quality. John Montgomery of Municipal Operations & Consulting addressed the Board regarding the circumstances surrounding this notice. The District's permit issued in 2008 initially had three years of "report only" requirements for copper levels in the wastewater effluent. After the third year, the District had a firm permit limitation for copper. The operator's report to the Board had been incorrectly stating that there were no excursions of the permit because the report continued to show the old "report only" designation. In fact, there was an alleged violation for copper limits in October, 2012 and then subsequent alleged violations in January, February and March, 2013. The operator distributed a proposed response to the TCEQ's Notice of Enforcement and reviewed it in detail with the Board. The operator noted that the District's average copper limitation of 0.0158 milligrams per liter became a hard limit in August, 2011. Previous to then, the District had been reporting the copper levels but had been under that limit so there was no reason to suspect that the District would have a problem complying with the permit limits. Mr. Montgomery noted that in October, 2012, the District took Water Plant No. 1 out of service for rehabilitation to the ground storage tank. The District had fed a polyphosphate at that plant for many years for sequestration of iron. It appears that the polyphosphate was also acting as a sequestering agent to control the levels of copper. When the plant was down for repairs, the copper levels began to elevate. However, it took the operations and engineering firm some months to figure out that this was the problem. The operations firm had been sampling at various locations throughout the District to determine if the copper levels were coming from a customer, perhaps in a commercial area. It was only when Water Plant No. 1 went back into service and the copper levels lowered again that the operations and engineering firms realized that the polyphosphate was probably responsible for lowering the copper and keeping it within the permitted parameters. In an attempt to respond quickly, the operator has adjusted the polyphosphate blend being injected at Water Well No. 1 to optimize corrosion protection and minimize copper. The operator is adding polyphosphate blend injection equipment to Water Wells No. 2 and No. 3 and injecting polyphosphate blends at those locations. The District operator and engineer believe, but cannot yet be certain, that the measures will control the copper levels in the effluent. Mr. Montgomery noted as well that the maximum contaminant level for drinking water for copper is 1.3 milligrams per liter. This means that the drinking water contains several times the concentration of copper than the sewage treatment plant effluent can contain. Jason Hajduk noted that his firm was going to review the District's drinking water and perform some additional analysis. It may be possible to argue to the Commission that a lower copper limit should be placed in the District's wastewater treatment permit based upon the source water.

The Board had a number of questions to ask of the operator and engineer concerning the enforcement and the potential for penalties. In particular, Director Mike Smith asked the operator why the District was just now learning about these violations if they had begun in October, 2012. John Montgomery stated that his firm was responsible and should have reported it to the directors immediately. He stated that Municipal Operations & Consulting had made a mistake in communications regarding the permit limits. Mr. Montgomery as compliance director had not sufficiently informed Mr. Williams that the permit limit was a hard limit. Mr.

Montgomery apologized for Municipal Operations & Consulting and their error in failing to report the permit violations to the Board as they were occurring.

The Board reviewed each permit effluent limitation in detail and asked John Montgomery to explain each of them. At the attorney's request, the operator will add compliance information to the front page of the report given to the District. In plain language, each month the District will know whether its effluent meet all permitted parameters. The Board had a detailed conversation regarding the permit violation and the potential for penalties. The operator noted that he expected additional correspondence from the Texas Commission on Environmental Quality sometime in mid-July. He is hoping that the June copper numbers will demonstrate compliance, as April and May reports did. Then, the operator will be able to demonstrate to the Commission that the District has been in into compliance for three months consecutively. After a full discussion, upon unanimous vote, the Board authorized the operator to send the response to the Notice of Enforcement as written.

Upon unanimous vote, the Board approved the operator's report and the write-offs as presented.

10. Mike Williams presented a parks and recreational facilities report. There were 21 calls regarding issues in the parks. Nine calls were for the pavilion and 12 calls were for the ball fields. The operator stated that two dead trees had been removed in Willowcreek Wetland, and repairs to sprinkler heads in park areas had been made. The operator stated that the swim team paid all fees that were owed.

11. Jason Hajduk presented an engineer's report. Well No. 3 construction is complete, and the engineer is waiting on the final pay application. The engineer reported that the contractor for the well installed the wrong meter. However, the operator has reviewed the meter and actually prefers it to the one that was specified in the District's contract. The contractor has agreed to provide a \$1,000 credit rather than remove the meter that was installed in error.

The engineer reported that the ground storage tank contractor was able to repair the leak. The engineer is waiting on the final pay application.

With regard to the Phase I sanitary sewer rehabilitation, the engineer and attorney have determined that the District can spend surplus funds without further TCEQ authorization for rehabilitation of existing facilities. The District meets the less than \$2 no-growth tax rate scenario and has confirmed this with the District's financial advisor. The engineer suggested that he be authorized to advertise for bids within the next two weeks. By the July meeting, the engineer should have the final pay applications for all of the projects associated with the bonds and will thereby be able to determine available surplus funds. In addition, the District will have an idea of the budget for the sanitary sewer rehabilitation. Upon unanimous vote, the Board authorized the engineer to advertise for bids for Phase I of the sanitary sewer rehabilitation project.

Director Alli noted that the engineer may be receiving a request for sewer services from Dorrington. They are building ballfields adjacent to the District. After discussion, upon unanimous vote, the Board approved the engineer's report as presented.

12. The Board tabled consideration of an Order Authorizing Use of Surplus Funds until the July meeting.

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

  
Secretary