

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

January 13, 2014

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, January 13, 2014, 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, Jason Hajduk, Drew Masterson, Chief Matt Rodrigue, Lieutenant David Weis, Officer Ken Washington, Officer Jason Martinez, Paul Green, Jim Nichols, Kathryn Nichols, 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 December 9, 2013 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Chief Rodrigue presented a law enforcement report and reported the following statistics: there were 552 contract calls; 20 District calls; 33 reports taken; four felony arrests; 14 misdemeanor arrests; 295 citations and tickets; and 15 charges filed. The constables drove a total of 6,365 miles in the District during the month.

Chief Rodrigue updated the Board on the status of patrol equipment and reported that two new vehicles were purchased pursuant to Board's previous authorization. The officers noted that before any of the District vehicles have 36,000 miles on them, the District can purchase an extended warranty at a cost of \$3,325 per vehicle. The extended warranty will cover the vehicles for up to 100,000 miles. The attorney had pointed out to the Constables Office that the interlocal agreement requires the purchase of the extended warranties. Chief Rodrigue stated that the vehicles also needed to have lighting installed at a cost of \$11,920 and graphics at a cost of \$1,498. In addition, the officers confirmed that the vehicles previously purchased by the District that are now to be retired with the purchase of the new vehicles will be sold at auction. The proceeds of the auction will be credited back to the District. In response to a question from a Board member, Chief Rodrigue indicated that there was no immediate threat to the neighborhood as a result of a reported attempted kidnapping.

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 \$3,839,987.54. The capital

projects fund will stand at \$729,098.97. The operating fund will stand at \$2,298,712.17. Revenues exceed expenditures for the first seven months of the fiscal year by \$40,656.72. 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. The Board reviewed an Order Adopting Residence Homestead Exemption. The District has granted an exemption of 10% of the homestead value for all residence homesteads in the District for many years and can continue such exemption with adoption of this Order. After discussion, upon motion duly made, seconded and unanimously carried, the Board voted to continue the general homestead exemption of 10% in effect for the year 2014 and adopted the attached Order Adopting Residence Homestead Exemption as presented.

5. The Board reviewed an Order Adopting Residence Homestead Exemption for Persons 65 or Older or Disabled. In years past, the District has provided an exemption of \$30,000 for homesteads for persons 65 or older or disabled and can continue such exemption with adoption of this Order. Upon motion duly made, seconded and unanimously carried, the Board approved the attached Order Adopting Residence Homestead Exemption for Persons 65 or Older or Disabled.

6. The Board reviewed an Order Confirming Engagement of Delinquent Tax Attorney and Levying Additional Penalty for Delinquent Taxes. It was mentioned that since the District has engaged J.R. Moore, the county tax assessor/collector, to collect the District's taxes, the District is relying upon the attorneys who are engaged by Montgomery County to collect the District's delinquent taxes. That firm is Linebarger Goggan Blair & Sampson, L.L.P. Upon motion duly made, seconded and unanimously carried, the Board voted to approve the attached Order Confirming Engagement of Delinquent Tax Attorney and Levying Additional Penalty for Delinquent Taxes, which order is attached to the minutes.

7. Mike Williams presented an operator's report. The District billed \$256,149.94. The operator took 10 bacteriological samples, all of which were within acceptable limits. The District accounted for 95% of the water produced. The District served 3,815 customers, and 3,583 customers received all services including garbage. The sewage treatment plant operated at 79% of capacity with no permit violations. The operator requested write-off of nine accounts in the total amount of \$1,013.88. The operator reported that there had been an elevated copper reading at the sewage treatment plant on Christmas day. This reading will drive the monthly average up. Compliance with the copper limitations is still a concern. The operator also reported that some backflow preventers were lost during the hard freeze. Upon unanimous vote, the Board approved the operator's report and the write-off as presented.

8. Mike Williams presented a parks and recreational facilities report. There were 12 calls regarding issues in the parks. Seven calls were for the pavilion, four calls were for the ball fields and one call was for information. The operator reported that dead trees in the park had been cut down and mowing was performed once during the month.

9. Jason Hajduk presented an engineer's report. The Phase 1 sanitary sewer rehabilitation contractor has mobilized on site and has begun construction. Point repairs are almost complete. The engineer reported that the completion date for the sanitary sewer rehabilitation project is mid-February.

A bid opening was held on January 9, 2014, for the on-site surface water receiving facilities. The low bidder was C.F. McDonald Electric with a bid of \$1,389,469. The engineer's letter of recommendation for award of the contract to the low bidder was attached. There will also be estimated construction-phase engineering, on-site inspection, and material testing costs of \$149,800. The engineer reminded the Board that pursuant to the District's supplemental contract with the SJRA, the District is required to notify the SJRA of its recommendation of award of the contract. The SJRA will then have an opportunity to review and concur with the recommendation. If the GRP Administrator approves the bids, a Notice to Proceed will be issued, and the SJRA will escrow an amount equal to the approved bid, plus 10% contingency, plus all engineering and material testing costs. Upon unanimous vote, the Board approved the engineer's recommendation and authorized correspondence to the SJRA indicating the District's recommendation of the award of the contract to the low bidder.

Pursuant to the Board's previous request, the District engineer reviewed the District plans and determined that there are 29 metal storm sewer outfalls ranging in size from 24 inches to 66 inches. The engineer can inspect each outfall and prepare a report identifying the condition and recommendation for repairs. The engineering fee for this work would be approximately \$15,000. Upon unanimous vote, the Board approved the engineering proposal to inspect the outfalls.

The engineer next discussed the issue of compliance with copper limitations in the District's wastewater treatment plant permit. The engineer and John Montgomery of the operator's office spoke to a testing contractor, Bio Aquatics, regarding a proposed WER study which could be used as a basis for raising the permit limitation for copper. There are two methods of study for a WER report. The first method involves three rounds of testing, three months apart. The cost of the study is \$25,500. The second type of study is a streamlined study, involving two rounds of testing, 30 days apart, at a cost of \$19,000. Though cheaper, the streamlined method is not necessarily as accurate. In both studies, the District will be required to perform a Range Finder sample test. This test helps set a base line for either method. The cost of that testing is \$6,000, and the price of it is included in both quotes presented above. The District is required to notify the TCEQ and EPA to tell them which study is going to be performed. After performance of the study, if the outcome is positive, a major amendment will have to be made to the District's discharge permit. The engineer and operator recommended that the District proceed first by performing the Range Finder sample analysis. Based upon the findings from this test, the engineer and operator will be able to make a better recommendation as to which method of testing should be used. In addition, if the District is in favor of performing the Range Finder study, additional samples will need to be taken of the effluent and receiving stream, including BOD, COD DO, pH, velocity, depth and others. This work is anticipated to cost an additional \$2,250. If there are good results from whichever test the District uses, the District will still be required to make a major permit amendment at a cost of \$15,000. After a full discussion, upon unanimous vote, the Board authorized expenditure of \$6,000 for the Range Finder sample and \$2,250 for the effluent and receiving stream samples.

Finally, the engineer reported that pursuant to the Texas Commission on Environmental Quality rules, the District is required to have its water tanks inspected every five years. The tanks were last inspected in 2008, but because both plants were under construction the inspection was not performed in 2013. The engineer recommended that now that the plants are complete and water usage is low, the inspection and report should be prepared. The

engineering effort for the report and inspection is anticipated to cost \$20,000. Upon unanimous vote, the Board approved the inspection of the tanks to be performed.

Upon unanimous vote, the Board approved the remainder of the engineer's report as presented.

10. The developer was not present, so no developer's report was presented.

11. Drew Masterson presented a financial advisor's report and a report on the potential for refunding of the District's outstanding bonds. Mr. Masterson reported that due to historic low interest rates, some of the District's outstanding debt, particularly its Series 2006 Bonds, could be refinanced at lower interest rates resulting in gross savings and net present value savings. For the District to take advantage of such an opportunity, the District would need to approve a Preliminary Official Statement, the offering document for the bonds. In addition, the District would have to appoint an underwriter. At a future meeting, the District would have to set parameters under which an official of the Board could act to approve and authorize the sale of the bonds. The City of Houston has ordinances governing the issuance of refunding bonds, and the District must achieve present value savings of 3% to meet the City of Houston test. The financial advisor noted that the District was required to select an underwriter. In the past, the District has used Southwest Securities. Mr. Masterson disclosed that the parent company of First Southwest has made an offer to purchase Southwest Securities. The Board reviewed a list of underwriters that do business in the Texas municipal bond market. The attorney recommended that the District select BOSC to act as the District's underwriter. Upon unanimous vote, the Board selected BOSC as underwriter. The Board noted that they were further interested in pursuing the refunding bonds and authorized the financial advisor to begin preliminary preparations. The Board further instructed the attorney to place the necessary items on the next agenda.

12. There was presented the attached Order Designating Office for Conducting Business of District and Maintaining Records of the District and Designating Additional Meeting Places Outside District. The attorney noted that the District was able to legally conduct its meetings at places outside the District's boundaries upon adoption of such resolution and publication of a notice in a newspaper of general circulation in Montgomery County. The attorneys are moving their offices at the end of March, and it would be appropriate to designate the new offices as out-of-district meeting places, along with certain other meeting places. Upon unanimous vote, the Board approved the resolution as presented and authorized publication of the necessary notices.

13. Lori Aylett presented a calendar of annual events for the Board's consideration.

14. The Board reviewed customer service inquiries. Resident Rob Hamilton asked the Board to explain its decision on why it did not provide water and sewer service to the Scrap Yard Sports complex, which is now in operation but has no functioning bathrooms. In addition, Connie May, Bryan Beaty and Joel Bartsch of the Scrap Yard Sports complex addressed the Board and asked them to reconsider their decision. The Board members, the developer, and members of the public discussed in some detail the facts and circumstances surrounding consideration of the request. The attorney reminded the Board and the members of the public who were present that the District had never entertained a request for water service.

Instead, the District considered a request for 5,000 gallons per day of wastewater flow from the ballfield developer. In August, the Board authorized the District's engineer to prepare a feasibility study regarding provision of potential out-of-district service versus annexation of the property, subject to receipt of a \$5,000 deposit from the developer. In October, the Board reviewed the results of the study and determined that there would be substantial difficulties associated with providing sewer service without water service, and the District could not expect to raise significant sewer revenues from provision of the services. At that time, the Board unanimously voted to decline to provide any out-of-district service and refunded the entirety of the feasibility study deposit to the ballfield developer. The attorney also reminded the Board and members of the audience that the developer had proceeded with construction of the improvements without obtaining any utility service, and that was a decision that the developer made at his own risk. The District is not legally obligated to serve property outside its boundaries. The District's first duty is to preserve its water and sewer capacity for taxpayers and residents within its boundaries. The provision of any out-of-district services is entirely at the Board's discretion.

Mr. Beaty then asked the Board what it would take for them to reopen their discussions and reconsider the provision of services to his development. The attorney reminded the Board that there was not an item on the agenda for tonight's meeting for discussion of such a proposal. The appropriate legal action for the Board to take would be to put the item on a future agenda, if the Board so chose. She then asked the Board if they would like her to put an item on a future agenda for reconsideration of the developer's request. Each of the Board members stated that the decision had already been made, and none of the Board members was willing to reopen discussions of the matter at this time.

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


Secretary