

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

June 9, 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, June 9, 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, Jared Daily, Lieutenant David Weis, Paul Green, Jim Nichols, Kathryn Nichols, Steve Kemper, Glenn Kourik, and Lori G. Aylett.

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 12, 2014 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Director Alli presented his Statement of Appointed/Elected Officer, Letter of Qualification, and Oath of Office. Upon unanimous vote, the Board accepted Director Alli's Oath of Office and will include him under the Directors' Faithful Performance Bond.

Director Alli completed a disclosure questionnaire indicating that he had no conflicts of interest to disclose to the Board of Directors. Director Alli also completed a questionnaire regarding public access to certain information about himself and also confirmed that he had previously completed the necessary Open Meetings Act and Public Information Act training.

3. Lieutenant Weis presented a law enforcement report and reported the following statistics: there were 680 contract calls; three District calls; 60 reports taken; two felony arrests; 16 misdemeanor arrests; 304 citations and tickets; and 13 charges filed. The constables drove a total of 6,893 miles in the District during the month. Lieutenant Weis reported that the officers received a call on Friday night about an armed robbery in a nearby parking lot. The officers made a traffic stop and managed to chase down the alleged robbers. Two of the three suspects were caught. Lieutenant Weis reported that the department sold the Police Chargers, and the funds will be returned to the District. After discussion, upon unanimous vote, the Board approved the law enforcement report as presented.

4. The financial advisor was not present, so no financial advisor's report was given.

5. Bill Russell presented a bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$2,094,797.45. The capital projects fund will stand at \$729,632.68. The operating fund will stand at \$3,245,366.60. Revenues exceeded expenditures for the fiscal year by \$977,458.59. The bookkeeper reviewed with the Board construction and engineering costs associated with the SJRA surface water line. 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.

6. 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.

7. 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.

8. Mike Williams presented an operator's report. The District billed \$235,335.20. The operator took 10 bacteriological samples, all of which were acceptable. The District accounted for 96% of the water produced. The District served 3,815 customers, and 3,587 customers received all services including garbage. The sewage treatment plant operated at 82% of capacity with no permit violations.

The operator informed the Board that the San Jacinto River Authority's ground water pumpage water rate will increase from \$1.75 per 1,000 to \$2.25 per 1,000, effective September 1, 2014. The District's rate order contains a pass-through provision, so residents and businesses will see a corresponding increase. When the District receives surface water, it will be charged \$2.44 per 1,000 gallons.

The operator reported that the bottom bearing on Clarifier Drive No. 2 at the wastewater treatment plant failed over the Memorial Day weekend. The cost to replace the drive is estimated to be \$26,000. The operator filed an insurance claim for the failure of the drive.

The jockey pump at the Havenhouse Water Plant failed, and a crane was used to remove it. These pumps fail about every other year, because they are heavily used. Because the jockey pumps are much cheaper to replace than the larger pumps, their heavy use is actually preferred.

The No. 1 booster pump at the wastewater treatment plant also failed, and the operator had the pump replaced.

The WER study for the wastewater treatment plant was accepted by the TCEQ, and the District will begin testing soon.

Mr. Williams requested that the Board give its consent because he has already acted on the District's behalf in ordering a diesel tank for Water Plant No. 2 for hurricane season. The tank rental is \$200 per month for six months, and Sun Coast rents the tanks and gives the District priority for fueling. The Board thanked the operator for his due diligence in making sure that the District is protected during hurricane season. Further, the Board requested that the operator do this on the District's behalf every year by May 1, provided that the cost does not exceed \$1,200.

After discussion, upon unanimous vote, the Board approved the operator's report as presented.

9. Mike Williams presented a parks and recreational facilities report. There were 18 calls regarding issues in the parks. Eight calls were for the pavilion, nine calls were for the ball fields and one call was for information. The operator reported that they cut down and cut up several fallen trees due to a storm. The operator put three pallets of grass down, and the District needs three more. The Board authorized the purchase and installation as recommended by the operator. The operator reported that a tree fell from District property on to a neighbor's playhouse. The neighbor has not yet made a claim. The attorney noted that extent of the District's liability will depend upon whether the tree was dead or was visibly injured. If not, such incidents are considered "acts of God". The operator will refer the claim to the District's insurance carrier, if and when it is made.

10. Jason Hajduk presented an engineer's report. The engineer reported that all pipe bursting is complete in Imperial Oaks, Sections 1 and 3. The contractor is working on manhole rehabilitation.

The operator expressed concerns about how the contractor installing surface water receiving facilities was working at the Water Plant No. 1 site. The contractor paid a sub-contractor to dig all of the necessary trenches, but then the trenches were left open and a portion of the District's ground storage tank was exposed. The engineer reviewed the situation on-site. The contractor has submitted Pay Application Nos. 1 and 2, but the engineer is not recommending them for payment at this time until the contractor addresses the deficiencies to the operator and engineer's satisfaction.

The engineer then reported that testing will soon begin pursuant to the WER for copper limitations in the District's permit. The engineer also submitted a request for waiver from the TCEQ 75/90 rule, because the District is built-out. The waiver request was submitted on May 16, 2014 and is being reviewed. The TCEQ has indicated via e-mail that it will not object and will recommend approval of the waiver. If the waiver is approved, the District will not have to plan for or expand its waste discharge facilities, even though the plant is operating at more than 75% of capacity.

The engineer is still reviewing and compiling the report on the status of the various storm sewer outfalls. This should be completed and presented at the next Board meeting.

Finally, the engineer presented Pay Application No. 5 to North Houston Pole Line LP for the Phase 1 sanitary sewer rehabilitation in the amount of \$96,309.90. The engineer recommended approval of the pay application as presented. The Board concurred and gave such approval.

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

11. Finally, the attorney gave a brief report on the status of Drainage District No. 6 efforts to secure compliance by Kaleidoscope with Drainage District regulations. The Board noted that they were interested in the progress of this matter because District residents are adjacent to the site. Kaleidoscope (Scrap Yard Sports) is generally in compliance with the settlement agreement, but they needed an extension of time to complete all the work because of various rain and supply delays. Drainage District No. 6 continues to be diligent in trying to achieve voluntary compliance with their regulations without the need to go to litigation. However, Drainage District No. 6 has indicated that they have every intent of enforcing their regulations and will use all avenues at their disposal to achieve compliance.

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


Secretary