

## RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

### Minutes of Meeting of Board of Directors

September 12, 2016

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met at 27316 Spectrum Way, Oak Ridge, Texas, on September 12, 2016, 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  
Michael Smith, Assistant Secretary  
Paul Alli, Director

and the following absent:

Brendon Keith, Secretary.

Also present were Bill Russell, Mike Williams, Jason Hajduk, Mike Others, Chief Matt Rodrique, Corporal Baker, Sergeant Weis, Constable Ryan Gable, Kerry Masson, Jim Nichols, Kathryn Nichols, 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 held August 8, 2016 were presented for the Board's review and approval. Certain amendments were suggested to the minutes, and upon unanimous vote, the minutes were approved as amended.

2. Corporal Baker and Chief Rodrique presented a law enforcement report and reported the following statistics: there were 366 contract calls; 14 District calls; 66 reports taken; three felony arrests, 12 misdemeanor arrests; 335 citations and tickets; and 12 charges filed.

Chief Rodrique reported that the County had erroneously excluded billing for Verizon air cards that are used in District vehicles. After discussion, the Board approved billing for the Verizon air cards.

Corporal Baker reported that a robbery had taken place and it appears to have been done by a seasoned crew of criminals. An individual previously charged with indecent exposure is out on bond and has been seen in the District's parks. Officers are monitoring the parks.

Constable Gable expressed his appreciation to the Board for their support of his officers. The Board in turn conveyed their appreciation for the good working relationship with Constable Gable and his office.

Upon unanimous vote, the law enforcement report was approved by the Board.

3. The Chair recognized Kerry Masson of Southern Montgomery County Municipal Utility District. Mr. Masson introduced himself to those present and stated that he would like to continue to serve on the San Jacinto River Authority's Ground Water Reduction Plan

Committee. Mr. Masson stated that he was a mechanical engineer with nearly 40 years of on-the-job experience. He has been on the Southern MUD's board for over 20 years and believes that he has the appropriate qualifications for the SJRA GRP Committee. He is very familiar with large dollar projects, engineering projects, and water projects. He thanked the Board for considering him for the job.

4. The Board opened a public hearing on the proposed 2016 tax rate. The attorney confirmed publication of the proposed tax rate. The proposed tax rate was \$0.53 per \$100 assessed valuation. No members of the public wished to address the Board regarding the proposed tax rate, and the President declared the public hearing closed.

5. There was presented the attached Order Setting Tax Rate, Approving Tax Roll, and Levying Debt Service Tax and Maintenance and Operation Tax for the Year 2016. The order reflected a debt service tax rate of \$0.38 and a maintenance and operations tax of \$0.15. Upon unanimous vote, the Board approved the order as presented.

6. There was presented the attached Amendment to Statement of Directors Furnishing Information Required by Section 49.455(b), Texas Water Code, as Amended. The attorney noted that the Amendment to Statement of Directors is updated anytime the District adopts a new tax rate and is filed in the real property records of Montgomery County. Potential purchasers of property are on notice that they are located in a water district and they are on notice as to the current tax rate of the District and other related District information. Upon unanimous vote, the Board approved the Amendment to Statement of Directors as presented and authorized its execution by all Board members present.

7. Bill Russell presented a bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$1,403,993.98. The capital projects fund will stand at \$91,933.84. The operating fund will stand at \$2,567,526.50. Expenses exceeded revenues for three months of the fiscal year by \$441,787.64. 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.

8. Michael Others presented an audit of the District's books and records for the fiscal year ended May 31, 2016. He stated that his firm was issuing an unmodified "clean" opinion. He reviewed the audit and the management discussion and analysis with the Board in some detail. The District had a net income of \$229,161 and is slowly approaching the one-year reserve in the operating fund that the auditor would like to see.

Mike Williams noted that during the course of the audit, the auditor discovered that the operator was billing District customers the wrong amount for the surface water fee. Pursuant to the District's rate order, the District should be charging customers the SJRA surface water fee plus a loss water and administration charge of 10%. That number should have been \$2.76 per 1,000 gallons, but the operator erroneously billed \$2.68 per 1,000 gallons. This resulted in the District under billing its customers by \$21,529. The operator acknowledged that they had made a mistake and apologized to the Board and to the District. The Board reviewed the audited numbers and noted that the District did raise enough revenues to pay the expenses charged by the SJRA for surface water and for ground water pumped. This may be an indication that the District should adjust its

rate order. The Board recalled that when the District changed the rates because the District began receiving surface water, the District did not change the 10% loss water administration charge. However, the District's not receiving 100% surface water, so the District receives some additional revenues because the higher surface water rate is charged on all water received by District customers. The District pays a lower rate to SJRA on amounts pumped from its wells. The Board noted that it might be appropriate to review and adjust the District's rate order at a future meeting.

After a full discussion, upon unanimous vote, the Board approved the audit for the fiscal year ended May 31, 2016 and authorized its filing as required by law.

9. There was presented the attached Resolution Affirming Review of Investment Policy, Strategies and Objectives. The attorney noted that pursuant to the Public Funds Investment Act, the District is annually required to review its investment policy to assure its compliance with Texas law. The attorney recommended no revisions to the investment policy, and the auditor's report noted no deficiencies with respect to how the District's investments are handled. Upon unanimous vote, the Board adopted the resolution as presented.

The attorney reviewed with the Board a list of qualified brokers in connection with review of the investment policy, strategies and objectives and the District's audit. No changes were recommended to the broker list provided by the bookkeeper, and upon unanimous vote, the Board approved the broker list as presented.

10. The Board noted the necessity to authorize preparation of continuing disclosure documents. The attorney noted that the District is required by federal securities law to update certain financial information that would be of interest to bondholders of the District. The District has an existing contract with FirstSouthwest, a division of Hilltop Securities, Inc. to perform the necessary continuing disclosure obligation. Upon unanimous vote, the Board authorized FirstSouthwest, a division of Hilltop Securities, Inc to prepare and file the necessary continuing disclosure in accordance with their existing contract.

11. Lori Aylett explained the requirements of House Bill 1378 enacted by the Texas Legislature in 2015. Effective January 1, 2016, districts are required to provide certain financial information to the controller of the State of Texas for posting on its website. The district may comply with the requirements of House Bill 1378 by submitting its approved audit. Upon unanimous vote, the Board authorized the attorney to make the required submission pursuant to House Bill 1378.

12. The Board discussed casting votes for the candidate for appointment to the Groundwater Reduction Plan Contract Review Committee of the San Jacinto River Authority. After discussion, upon unanimous vote, the Board adopted the attached Resolution Casting Vote for Candidate for Appointment to the Groundwater Reduction Plan Contract Review Committee of the San Jacinto River Authority, which resolution reflected that the District cast its votes for Mr. Kerry Masson.

13. Mike Williams presented an operator's report. The District billed \$342,352.72 to customers for services rendered. The operator took 10 bacteriological samples, all of which were acceptable. The District accounted for 93% of the water produced. The District served 3,818 customers, and 3,604 customers received all services including garbage. The sewage

treatment plant operated at 70% of capacity with no permit violations. The operator requested write-off of eight accounts in the total amount of \$884.32, and the Board approved the request. The operator reported that the interconnect with MUD 99 and MUD 115 is closed. The SJRA has suffered from several line breaks, and the weather has been wet. Consequently, they have not delivered as much surface water as they need to comply with their groundwater reduction plan. They will be stepping up their surface water supply to the District. After discussion, upon unanimous vote, the Board approved the operator's report as presented.

14. Mike Williams presented a parks and recreational facilities report. There were 15 calls regarding issues in the parks. Six calls were for the pavilion, seven calls were for the ball fields, and two calls were received this month for information. The operator reported that the irrigation system on the District's ballfields has been repaired and is ready for T-ball. Upon unanimous vote, the Board approved the parks report as presented.

15. Jason Hajduk presented an engineer's report. On the MUD 99 / MUD 115 surface water conversion project, construction is in progress and plant facilities should be completed in the next month.

On the waste discharge permit major amendment, the permit has been finalized with new copper limitations.

The engineer continues to work with the Texas Commission on Environmental Quality regarding the elevated storage tank variance.

The engineer confirmed that the wastewater treatment plant fence contracts were signed and a preconstruction meeting will be scheduled for this week or next. The sanitary sewer rehabilitation is 99% complete, and next month, the engineer will make recommendations to the Board.

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

16. With regard to the San Jacinto River Authority conveyance of facilities, the SJRA has requested some additional documentation from the District engineer, but the final conveyance documents have not yet been received. The Board therefore tabled consideration of the item.

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



Secretary