

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
April 11, 2011

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on April 11, 2011 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:

Jon Vallery, President
Frank Moore, Vice President
Charles Saxe, Secretary
Michael Smith, Assistant Secretary
Paul Alli, Director

and the following absent:

None

Also present were Bill Russell, Mike Williams, Lonnie Wright, Jason Hajduk, Sergeant Josh Hanson, Teague Harris, Jim Holcomb, Anthea Moran, Herman I Little, Jr. and persons on the attached list

1. Minutes of the meeting held on March 14, 2011 were presented and reviewed. Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve the minutes as presented.

2. Sergeant Josh Hanson presented a law enforcement report. There was one burglary, one family disturbance, one drug arrest, six warrant arrests, eight thefts, four accidents and one internet fraud case during the month. Director Vallery expressed appreciation for Sergeant Hanson's article in the recent newsletter. There was discussion of the problem with open garages and homes and vehicles with unlocked doors. Sergeant Hanson emphasized the importance of calling the constable when suspicious persons are noticed in the community. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented.

3. Anthea Moran addressed the Board and reported on the proposed Series 2011 Refunding Bonds. The District has 12 bond series outstanding, and when interest rates decline, it is possible to refinance a portion of the outstanding bonds that are close to the call date. Ms. Moran reported that Standard & Poor's has upgraded the District's credit rating from BBB+ to A-

Last month the District would have achieved a present value savings of approximately 5% of the outstanding bonds, and the Board authorized going forward with a preliminary official statement and necessary steps for issuance of bonds. Since last month, the market has deteriorated somewhat, but the District still has a financing that will produce a

savings The District would issue bonds to refinance \$5,800,000 of the outstanding bonds having interest rates of between 4 15% and 5 2% The present yields on refunding bonds would be from 1% to 3.91% although it is not possible to predict changes in the bond market At this time, an annual savings after issuance of the bonds would be \$324,975 42. This would equate to approximately \$27,000 per year of savings, and the present value savings would be 4 53%. The City of Houston's ordinance requires a District to achieve at least a 3% present value savings to issue refunding bonds, and the average savings is between 4% and 5% The savings calculated is based upon the total bond issuance and after all expenses have been paid In the financing \$5,800,000 would be deposited in a payment account and would be used to retire the outstanding bonds The District would receive accrued interest on the refunding bonds through the date of closing. Costs of issuance would be \$148,510 Ms. Moran stated that the District's only exposure for costs, if authority is provided to go ahead with the refunding issue, and the bonds do not sell, would be payment of fees to Standard & Poor's, which would be approximately \$9,500 The District would expect to have an underwriters discount no greater than 1% of the bonds If the District is able to obtain insurance on the bonds, the premium would be no greater than 0 95%

There was discussion of the feasibility of going ahead with the bond issue. Ms. Moran stated that the Board can identify parameters within which the bonds can be sold without having another board of directors meeting. In response to a question by Director Saxe, Ms Moran noted that interest rates may continue to increase, and the costs may go out of range of the District's expectations. Director Vallery inquired as to whether the Board should go ahead with the financing. In response to a question, Ms. Moran stated that it would take 7 to 14 days to obtain a confirmation of the District's rating from Standard & Poor's The District has flexibility in structuring the bond sale with regard to the underwriter's discount, the cost of bond insurance and the amount of bonds to be refunded. After discussion, upon motion by Director Alli, seconded by Director Moore, the Board voted unanimously to instruct the financial advisor to take steps for issuance of the Series 2011 Refunding Bonds and to approve parameters for the sale of the bonds

There was discussion of the percentage of savings to be achieved in the financing, and upon motion duly made, seconded and unanimously carried, the Board authorized issuance of the bonds as long as the percentage of savings is 4% or greater Upon motion duly made, seconded and unanimously carried, the Board designated Director Vallery, or, in his absence, Director Saxe, to provide approval for sale of the bonds upon confirmation that the Board's parameters have been met Upon motion duly made, seconded and unanimously carried, the Board approved sale of the bonds within a period not to exceed three months from this date. Upon motion duly made, seconded and unanimously carried, the Board approved sale of the bonds provided the underwriter's discount is not more than 1% of the amount of refunding bonds Upon motion duly made, seconded and unanimously carried, the Board authorized the sale of refunding bonds to Southwest Securities if all parameters have been satisfied, and a satisfactory agreement is reached with the underwriter.

Anthea Moran then presented a preliminary official statement and described the document that provides a complete description of the District, its facilities and operations and its financial condition. The preliminary official statement is a disclosure document and provides prospective purchasers with sufficient information to enable them to make an informed decision

about the purchase of the bonds. The Board reviewed the preliminary official statement, including summaries of the District's financial condition and taxable values. The Board reviewed the description of the bonds, the description of the District and its facilities, the description of taxing procedures and certain investment considerations. Ms Moran noted that Standard & Poor's is very interested in the District having at least a one year balance of funds in the general fund to cover costs of operations. A six month reserve would be the absolute minimum. There was discussion of the preliminary official statement and disclosures contained in the document. After discussion, upon motion by Director All, seconded by Director Moore, the Board voted unanimously to approve the preliminary official statement for the Series 2011 Refunding Bonds as presented.

The Board then considered a bond order for the Series 2011 Refunding Bonds. Herman Little discussed the bond order and provisions in the order that contain the District's covenants to make payments on the bonds from taxes levied on property within the District, to take actions necessary to retain a tax exempt status on interest on the bonds, to provide continuing disclosure of information about the District and other legal commitments. After discussion, upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to adopt the bond order for the Series 2011 Refunding Bonds.

Upon motion duly made, seconded and unanimously carried, the Board approved a Paying Agent/Registrar Agreement with Bank of New York-Mellon. Upon motion duly made, seconded and unanimously carried, the Board approved a Deposit Agreement with Bank of New York-Mellon. Upon motion duly made, seconded and unanimously carried, the Board approved a Bond Purchase Agreement with Southwest Securities. There followed discussion, and upon motion duly made, seconded and unanimously carried, the Board authorized all actions necessary for execution of an approval certificate with regard to the Board's previous actions for sale of the 2011 Refunding Bonds within parameters established by the Board, and the Board authorized all other actions necessary for issuance, approval and delivery of the bonds.

4. Bill Russell presented a bookkeeper's report, a copy of which is attached to the minutes. After payment of bills at this meeting, the debt service fund balance stands at \$2,146,949.37. The capital projects fund balance is \$171,961.28. The general fund balance is \$877,940.75. The tax fund balance is \$1,490.75. The District has collected 97.78% of taxes for 2010. Mr. Russell advised the Board that at the next meeting he will ask the Board to authorize closing the account at Woodforest Bank and to transfer funds to the District's new depository bank.

Director Saxe noted that it is costly to provide all directors with copies of invoices prior to board meetings. Director Saxe suggested that invoices be provided by e-mail to reduce costs. There was discussion, and the Board agreed that forwarding invoices for Board review by e-mail would be satisfactory. After discussion, upon motion by Director All, seconded by Director Saxe, the Board voted unanimously to approve payment of the District's bills. Upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to approve payment of director fees and expenses.

5 Bill Russell presented a draft of the proposed budget for the fiscal year ending May 31, 2012. The budget reflects an anticipated shortfall of \$180,600. There was discussion, and Director Saxe expressed his desire that the Board conduct a budget workshop meeting to review the budget in detail. There was discussion, and it was decided that the Board would conduct a special meeting for review of the budget on Monday, May 2, 2011 at 7.00 p.m. at the regular meeting place.

6. Mike Williams presented an operator's report. The District collected revenues of \$179,846.89 for service provided during the month. There are 3,775 connections in the District, of which 3,532 are customers receiving all services. There are 55 vacant homes. The District accounted for 98% of water produced. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly at 64% of permitted flow. There were no permit violations. One tap was made during the month, bringing the total to five taps for the year to date.

Mike Williams presented a list of seven delinquent accounts that are uncollectable in the total amount of \$1,246.51. After discussion, upon motion by Director Allie, seconded by Director Moore, the Board voted unanimously to approve writing off the uncollectable accounts as recommended by the operator. Mike Williams requested that the Board review the identity theft prevention program at next month's regular meeting.

Mike Williams presented a report on the Imperial Oaks Parks and recreation facilities. The operator performed regular mowing during the month. There were 48 requests for use of facilities, 15 for the pavilion and 33 for the ballfields. Annual flowers were planted, and mulch and fertilizer were applied. Mike Williams reported that the water fountain is still a problem, and it will cost approximately \$3,500 to repair the water fountain. The faucet is still operational, however. Vandals destroyed one of the benches. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the operator's report as presented.

7. Jason Hajduk presented an engineer's report. The clarifier addition is approximately 96% complete. There are several small items remaining before completion. The debris containment facility is in place. The bond application report is being completed. The renewed Lone Star permit is needed. Plans for Well No. 3 are 90% complete and are being routed to agencies for review and approval. The District will advertise for bids for Well No. 3 upon receipt of bond funds. The plans for the transmission line from Well No. 3 are approximately 90% complete, also. Design is almost complete for the ground storage tank replacement project.

Jason Hajduk then presented a report on proposed televised sanitary sewer inspection work, Phase I. The first phase would involve Imperial Oaks, Section 1 where there are approximately 16,600 linear feet of lines. The cost is estimated to be \$33,200. In Imperial Oaks, Section 2 there are 17,600 linear feet of lines, and the cost is estimated to be \$35,200. With these costs and addition of 15% contingencies and engineering, the project cost would be approximately \$123,600. It is proposed that plans and specifications and bid documents be prepared for both sections to save costs of engineering services. It was mentioned that televising lines in Section 1 should be accomplished first. After discussion, upon motion by Director Smith,

seconded by Director Moore, the Board voted unanimously to authorize preparation of plans and specifications and bid documents for inspection of lines in Section 1, and the Board requested that the engineer prepare a proposal and a cost estimate for engineering fees for the next section

Jason Hajduk then presented a report on requests for District utility service. The engineers have re-examined the District's connections and the projected build-out within the District. One possible limiting issue is that the District has a variance from TCEQ for construction of an elevated storage tank. The variance allows the District to grow up to 3,750 connections, and it would be necessary then either to build the elevated storage or file for another variance. There was discussion of commercial construction that is pending receipt of utility commitments from the District. In response to a question by Director Vallery, Mike Williams reported that at the previous meeting there had been discussion of high flows through the wastewater treatment plant. A problem was found with the flow meter, which was not recording accurately, and after repairs of the flow meter, the flows are being recorded accurately at 64% of permit. This means that there is no limitation on wastewater treatment capacity for the requested utility commitments.

Teague Harris addressed the Board and stated that the District does have capacity in the water supply system for build-out of the District, but the District gets into tight spots in summer months when consumption is very high. The District may need to seek a variance for elevated storage in two or three years when the District is approaching full build-out. It is possible that further information can be available from TCEQ by the next meeting about what action would be needed and whether it would be a letter of notification or a request for variance. The requested connections will be under construction, and taps would not be requested until the summer. It was mentioned that Well No. 3 should be on line by the summer of 2012. At present there are 3,643 active connections, and the requested service would require 25 additional connections. It was mentioned that Woodforest Bank had requested additional capacity for the balance of its property. Capacity is requested for 2,075 gallons per day of water and 3,740 gallons per day of wastewater. It was mentioned that the additional construction at the Kroger Center would require 20,000 gallons per day of water and 15,500 gallons per day of wastewater treatment capacity. In addition, there are approximately 20 un-built residential lots in the District. After discussion, upon motion by Director Alli, seconded by Director Smith, the Board voted unanimously to approve the utility commitments for Woodforest Bank and for development at the Kroger Center as requested.

8. The Board reviewed an Order Authorizing a Bond Application to the Texas Commission on Environmental Quality. The bond application will provide financing for Well No. 3, the connecting water line and a new ground storage tank at Water Plant No. 1. It was mentioned that the TCEQ review will be expedited, and the Board will be in a position to advertise for bids for the Well No. 3 upon receipt of TCEQ approval of the bonds. After discussion, upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve and authorize the bond application to the TCEQ, and the Board further authorized advertisement for bids for Well No. 3 upon receipt of TCEQ bond application approval.

9. There was discussion of water use through irrigation connections in the District. The Board reviewed a report by Lonnie Wright as to consumption by 93 irrigation connections of the Imperial Oaks Park Property Owners Association. It was mentioned that the District's charge for water through each of the connections is a flat fee of \$10 per month. It was mentioned that the consumption through many of the connections has been excessive, and there has been substantial waste and loss of water. It was decided that the Board would give further consideration to the rates charged for irrigation at a future meeting.

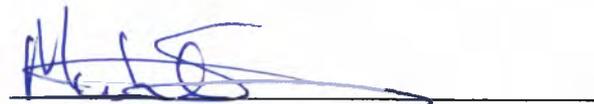
There was discussion of a proposal for modification of security deposits for customers within the District. Director Saxe made a motion to establish the security deposit for owner-occupied property at \$100 and non-owner occupied property \$150. There was no second to the motion, and the motion died. There was further discussion, and upon motion by Director Alli, seconded by Director Smith, the Board voted unanimously to establish a deposit for owner-occupied property of \$100 and non-owner occupied property of \$200. These deposits will not go into effect until the Board gives consideration to other proposed revisions of the rate order, however.

10. The Board reviewed a proposal for rental of a fuel storage tank during the upcoming hurricane season. A proposal has been received for a tank at a cost of \$300 per month. A delivery fee of \$125 would be required. The price is for the containment only, and it does not include fuel. It was mentioned that the District presently has a credit of \$3,500 with the company. Upon motion duly made, seconded and unanimously carried, the Board approved the proposal for rental of a fuel storage tank as proposed.

11. There was discussion of storm water medallions that are being prepared by the South Montgomery County Storm Water Coalition. It was mentioned that several groups within the District would provide volunteers to install the storm water medallions on storm sewer inlets throughout Imperial Oaks. The groups would be supervised by adults and by the District operator.

It was mentioned that mile markers around the walking path have been damaged or destroyed, and only a few remain. Upon motion duly made, seconded and unanimously carried, the Board approved removal of the remaining mile markers at the trail in the Imperial Oaks Park.

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


Secretary