

## RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors  
May 2, 2011

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on May 2, 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  
Charles Saxe, Secretary  
Michael Smith, Assistant Secretary  
Paul Alli, Director

and the following absent

Frank Moore, Vice President.

Also present were Mike Williams, Bill Russell and Herman I. Little, Jr

1 It was mentioned that the purpose of the meeting is to review the proposed budget for the fiscal year ending May 31, 2012, a copy of which is attached. Director Saxe stated his opinion that the budget should be reviewed carefully and that all options should be on the table. The District's contractors need to look at their rates and consider making voluntary adjustments to their charges to the District. Clients of his firm have been asking for revised rates, and this is happening throughout the marketplace. Adjustments in rates could be on a temporary basis until the economy has improved. Director Vallery stated that the District should get the best value for the funds that are being expended. In 2008 the District had a substantial decline in the general fund balance, and again in 2010 there was a decline in the fund balance.

Director Alli then inquired concerning budgeted funds for director fees. Director Saxe suggested that the Board consider revising rates paid to the directors from \$150 to \$125. This would result in a savings and a new budget amount of \$8,750. There was discussion of the expenses of elections. It was mentioned that it is unknown as to whether there will be an election in 2012. Herman Little stated that a directors election is required to be ordered for May, 2012, but if there are no opposition candidates, then the election may be cancelled, and considerable savings would be experienced. No changes in the budget amount were proposed.

There was discussion of the budget for legal fees. Herman Little advised the Board that the attorneys would not object to a reduction to \$50,000 for the annual budget. The attorneys will charge for all work that must be performed, but rather than reducing the rates, the attorneys would make every effort to manage the costs of legal services to remain within the budget. There was discussion of engineering fees. It was mentioned that engineering services for construction projects and bond issues are not included within the budget. After discussion, the Board approved a budget for engineering fees of \$50,000. With regard to bookkeeping services, Bill Russell advised the Board that the bookkeeper is not in a position to reduce rates. The District's contract with the bookkeeper has been in effect since 2005, and there have been no

increases since then. In addition, the bookkeeper does not charge the hourly fee for many tasks that are performed. No change was made in the budget for bookkeeping services.

There was discussion of office expenses. It was mentioned that office expenses include costs incurred by the operator for billing District customers and for sending special notices to customers when directed by the Board. There was discussion of ways of reducing costs, and it was suggested that the District no longer provide a return envelope with the District's utility bills. Mike Williams advised the Board that the data processing services for customer billing are handled within the operator's office, and this represents a savings and greater efficiency for the District's operations. After discussion, it was agreed that the budget item for office expense would be revised to be office expense/billing expense, and the amount would be reduced to \$120,000. There was discussion of miscellaneous expenses. Bill Russell advised the Board that miscellaneous expenses include such items as continuing disclosure, arbitrage compliance, storm water coalition expenses and signs. It was decided that the budget for miscellaneous expenses would be revised to \$25,000.

There was discussion of the expense for operator fees. Mike Williams advised the Board that he would need to talk with Lonnie Wright about any proposed changes in operator fees. The Board noted that the projected year-end expenditures for operator fees is \$195,788, and the Board decided that the budget amount would be reduced to \$200,000.

The Board reviewed expenses for water distribution, sewer collection and other maintenance and repair items. Repairs and maintenance-general is for mowing District plant sites and other facilities. There was discussion of work that will be needed to inspect and repair sanitary sewer collection lines. Bill Russell suggested that the sewer line inspection be treated as a special project in the budget.

Mike Williams described services performed for maintenance of wetlands and parks. The District has many areas of reserves, greenbelts, wetlands and parks. The operator does a lot of work in seeding and fertilizing the parks and ballfields. The rate charged for mowing is the same rate that had been charged by Green Pro's, but unlike the other contractor, the operator only charges for work that is accomplished. In some months each year there is no mowing.

Expenses of the sewer plant include a lot of work in cleaning the lift station. The operator can attempt to reduce the scope of work, but a lot of grease and sand are continuing to enter the treatment plant.

The Board reviewed the budget item for law enforcement services. Bill Russell advised the Board that he had included funds for a 6% increase in costs of law enforcement based upon past experience with Montgomery County. There was discussion of the cost increase, and Director Saxe suggested that a 4% increase would be more reasonable. There was discussion of the fact that the Montgomery County Commissioner's Court establishes the rates charged for law enforcement services by the Sheriff's Department and all Constables. There was discussion of the cost of vehicles for law enforcement, and the Board concluded that there would be no expenditure for vehicles in the budget this year. After discussion, the budget amount for law enforcement was reduced to \$535,500. Bill Russell advised the Board that this would require a corresponding reduction in revenues to be received from MUD 99 since that district

shares the District's costs. There was discussion of the projects for televising sanitary sewer lines and performing repairs. It was decided that these expenses would be a project expense in the budget.

The Board then reviewed revenues anticipated in the coming year. After discussion, the Board agreed that the budget for maintenance tax revenues would be \$550,000. MUD 99 law enforcement revenues would be reduced to \$33,280. There was discussion of the Lone Star Groundwater Conservation District pumpage fees, it was decided that the budget amount would be \$35,000. After further consideration of the budget, it was concluded that the District's total expenses would be \$3,481,500 with an anticipated deficit of \$184,220. The Board directed that the bookkeeper make revisions of the proposed budget as discussed at this meeting.

There was discussion of revenues for water service provided. Herman Little advised the Board that at the previous meeting the Board had noted a large variance in the revenues from irrigation connections of Imperial Oaks Park Property Owners Association and the large water consumption. These are primarily in esplanades. Herman Little then distributed a report to the Board indicating the consumption for 93 POA irrigation connections during the previous year. The report was prepared by Lonnie Wright. The Board then reviewed a schedule that reflected the amount per meter each month that had been calculated based upon the operator's report. It was noted that many of the irrigation meters are recording consumption over 30,000 gallons per month, sometimes over 50,000 gallons per month. There are very few, if any residences in the District that would ever use more than 30,000 gallons per month. The Board then reviewed a report reflecting the charges for irrigation if regular single family residential rates were applicable. The Board then reviewed a schedule showing two alternatives for irrigation rates based upon consumption that could be adopted by the Board to enable the Property Owners Association to begin including higher charges for water service in its budget in the coming year. It was mentioned that the issue of water consumption through irrigation meters is more of a water system management issue than a matter of revenues. If the District changes rates for water through POA irrigation meters, additional revenue would be received, but the primary consideration by the Board should be the proper management of the water supply system to ensure a dependable water supply for all customers. The Board agreed that further consideration will be given to the matter at the next meeting in connection with possible rate order changes.

There was further discussion of District revenues. Director Vallery noted that the Board has increased solid waste collection services and law enforcement services in the past several years without passing on increases to District customers.

2. Upon motion by Director Alli, seconded by Director Saxe, the Board voted unanimously to approve a letter authorizing closure of the District's accounts at Woodforest Bank as recommended by the bookkeeper.

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

  
Secretary