

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
May 9, 2011

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on May 9, 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
Michael Smith, Assistant Secretary
Paul All, Director

and the following absent:

Charles Saxe, Secretary.

Also present were Sergeant Josh Hanson, Bill Russell, Mike McCall, Drew Masterson, Mike Williams, Lonnie Wright, Jason Hajduk, Herman I. Little, Jr and persons on the attached list.

1 Minutes of the meetings held on April 11 and May 2, 2011 were presented and reviewed Upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the minutes of both meetings as presented.

2 Sergeant Josh Hanson presented a law enforcement report Sergeant Hanson reviewed statistics on criminal activity and actions taken by the deputies during the month There was discussion of complaints by residents about traffic and other activities. Upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented.

3. 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 \$2,176,017.79. The capital projects fund balance is \$162,537.86 The general fund balance is \$829,745.12 The tax account balance is \$5,270.54 The Board reviewed the report and a series of checks presented for payment of current bills Bill Russell noted that a payment is being made to Montgomery County MUD 99 for the District's share of interest on amounts expended by the MUD 99 developer in financing the water plant in which the District purchased capacity The interest was not included in the original purchase price. Mr. Russell reported that the District has collected 98.474% of taxes levied in 2010 After discussion, upon motion by Director All, seconded by Director Smith, the Board voted unanimously to approve the bookkeeper's report and authorize payment of bills listed thereon Upon motion by Director Moore, seconded by Director All, the Board voted unanimously to approve payment of director fees and expenses as presented

4 The Board reviewed a budget for the fiscal year ending May 31, 2012. There was discussion of the adjustments that were made following the Board's special meeting. After discussion, upon motion by Director Moore, seconded by Director Alli, the Board voted unanimously to approve the budget as presented.

5 Mike McCall addressed the Board and requested an opportunity to perform the audit for the fiscal year ending May 31, 2011. Mr. McCall presented a letter addressed to the District's management regarding fraud and conditions that could indicate the possibility of fraud. Mr. McCall requested that if there are any concerns by directors or consultants as to fraud or the possibility of fraud, then those persons should communicate with the auditor immediately. This review is a normal part of the auditor's planning for the audit. Mr. McCall then presented an engagement letter for the audit and noted that the fee is estimated to be \$12,100 for approximately 101 hours of work. After discussion, upon motion duly made, seconded and unanimously carried, the Board voted to engage McCall Gibson Swedlund Barfoot, PLLC as the District's auditors for the fiscal year ending May 31, 2011.

6. Drew Masterson addressed the Board and reported that the District was able to obtain a favorable bid for purchase of the refunding bonds. The interest rate was 4.949694%. Total savings to the District will be \$354,545.56, for an annual savings of \$24,500. This would represent approximately \$0.005 of tax rate. The discount on the bonds was \$44,223.74, which represented 0.751465% of the issue. The District was successful in the refunding issue, and it was able to pass on a savings to District taxpayers.

7 Mike Williams presented an operator's report. The District collected revenues of \$193,376.27 for service provided during the month. There are 3,779 connections in the District, of which 3,541 are customers receiving all services. There are 48 vacant homes. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly at 68% of permitted flow. There were no permit violations. The District accounted for 95% of water produced during the month. Three taps were made during the month, bringing the total to eight taps for the year to date. The operator reviewed the list of utility connections in each section of the District, and it was noted that there are 20 lots remaining unbuilt. Mike Williams presented a list of five delinquent accounts that are uncollectable in the total amount of \$399.85. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved writing off the uncollectable delinquent accounts totaling \$399.85.

Mike Williams reported that the storm water medallions have been received for installation on storm sewer inlets. Director Vallery advised the Board that local Girl Scouts will install some of the medallions. There will be adult supervision. Other volunteers will be needed to complete the project. Mike Williams advised the Board that the Consumer Confidence Report is available for mailing to District customers. This year it will be possible to mail the CCRs with the monthly utility bill, and this will save approximately \$2,000. The Board confirmed that the CCRs will be printed in black and white again as an additional cost savings.

Mike Williams requested Board authorization to implement Stage 1 Drought Contingency Measures. Mr. Williams requested that the Board ask the property owners association to turn their irrigation connections off on weekends in order to provide sufficient water. The water plants have been operating more than 18 hours per day for the last three days,

and water use restrictions should be implemented immediately. After discussion, upon motion by Director Moore, seconded by Director Alli, the Board voted unanimously to approve the Stage 1 Drought Contingency Measures that will involve odd-even outdoor water use. Upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve preparation and mailing of the Consumer Confidence Reports as previously discussed.

8 Mike Williams presented a report on the Imperial Oaks Parks maintenance. There were 34 requests for use of District facilities, seven for the pavilion and 25 for the ballfields. There was a great turnout for a recent swim team party, and the facilities were pressure washed for improvement in the appearance of the facilities. There was further discussion of the drought contingency plan, and it was mentioned that it is not necessary to have a board of directors meeting to authorize the operator to implement additional stages of the drought contingency plan, as they become necessary. Upon motion duly made, seconded and unanimously carried, the Board approved the operator's reports as presented.

9. Jason Hajduk presented an engineer's report. The clarifier addition is 99% complete. The bond application was filed on May 6, 2011 and will receive an expedited review by the TCEQ staff. Plans for Well No. 3 are complete, however, the plans did not include design of emergency power facilities for the well. Additional engineering fees of \$5,010 will be needed. After discussion, upon motion by Director Smith, seconded by Director Alli, the Board voted unanimously to authorize additional engineering for emergency power facilities at Well No. 3.

Jason Hajduk advised the Board that there will be additional fees for geotechnical testing. The cost will be approximately \$10,000. The services will involve soils and materials inspections and work by the hydrogeologist. Plans for the water transmission line from Well No. 3 are 90% complete. At the ground storage tank site, the District is dealing with overhead power line issues. The power line is encroaching on the water plant site, and adjustments will be necessary to provide a safe workplace in accordance with all regulations and codes. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the engineer's report as presented.

10 Jason Hajduk presented a proposal for engineering services for inspection of sanitary sewer lines. The proposal involves preparation of plans for Phase 1 and Phase 2. The cost will be \$30,550. Mr. Hajduk advised the Board that it will be more cost effective to prepare plans for both sections at one time although the work will be accomplished in two parts. After discussion, upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve the engineering proposal for preparation of plans for the sanitary sewer inspection.

11 There was discussion of the District's rates and charges for water and waste collection and disposal service. Herman Little presented schedules reflecting existing rates and charges and two possible rate changes indicating additional revenues that would be produced by such rates. The Board reviewed the current rates and both alternative proposals. There was discussion of revenues that would be received from each rate and concerns about the impact on District customers. It was mentioned that the major subject of concern is the reduction of water that is used for irrigation. The rates should be consistent with the policy of promoting

water conservation, particularly for irrigation connections.

Lonnie Wright presented a report indicating that the District has 1,200 customers who typically use more than 10,000 gallons of water per month. 388 customers use more than 20,000 gallons per month. Only 25 customers typically use more than 50,000 gallons per month. Average consumption of 12,000 gallons per month is used in the engineer's design criteria. Director Alli suggested that rate increases should be applicable for connections that use more than 12,000 gallons per month. There was discussion of rates charged for irrigation connections of the POA. It was mentioned that rate changes should be given consideration for approval at the next meeting. It was mentioned that changes applicable to the POA could be implemented over a period of time to enable the POA to plan accordingly for its budget. It was agreed that the Board will act on proposed new rates at the next meeting.

12. There was discussion of the District's identity theft prevention program. Mike Williams advised the Board that there had been no problems with identity theft incidents, and the operator has no recommendations for changes in the program. Upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to adopt a resolution approving review of the identity theft prevention program, which resolution is attached to the minutes.

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



Secretary