

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

May 8, 2006

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on May 8, 2006, at 230 Spring Hill Drive, Suite 325, Spring, Texas 77386, in accordance with the duly posted notice of the meeting, with a quorum of Directors present, as follows:

Duane Burrell, President
Jake L. Kelly, Sr., Vice President
Rufus Houston, Secretary
Dwayne Finley, Director
Charles W. Venema, Director

and the following absent:

None

Also present were Vickey Sullivan, Bill Russell, Mike Williams, James Light, Jim Holcomb, Lonnie Wright, Mike McCall, Herman I. Little, Jr. and persons on the attached list.

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 April 10, 2006 were presented and reviewed. Upon motion by Director Kelly, seconded by Director Houston, the Board voted unanimously to approve the minutes as presented.

2. Vickey Sullivan presented a tax assessor/collector's report. 2005 taxes are 96.5% collected. All prior years' taxes are 99.9% collected or better. Upon motion duly made, seconded and unanimously carried, the Board approved the tax assessor/collector's report as presented.

3. Mike Williams presented an operator's report. The District collected water and waste collection and disposal revenues of \$115,739.64. The District accounted for 99% of water produced. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated at 58% of permitted capacity, and there were no permit violations. 31 taps were made during the month, bringing the total to 100 for the year-to-date. There are 3,344 connections. Mr. Williams presented a list of delinquent accounts that are uncollectible and recommended that the accounts be written-off as uncollectible and turned over to a collection agency. After discussion, upon motion by Director Kelly, seconded by Director Venema, the Board voted unanimously to approve the write-off list as presented.

Mike Williams presented a Consumer Confidence Report reflecting the status of the District's drinking water. TCEQ tests the drinking water for various pollutants, and the

TCEQ provides results of those tests to be included in annual consumer confidence reports. The reports include TCEQ data from several years. After discussion, upon motion by Director Kelly, seconded by Director Finley, the Board voted unanimously to approve the Consumer Confidence Report and authorized mailing the report to the District's customers following a review by the District's attorney.

4. Mike Williams presented a report on Imperial Oaks Park. Regular mowing and maintenance was accomplished. There were 22 calls for use of the pavilion and 12 calls for use of the ball fields. Plantings were made in two flower beds, and holes were filled in the ball fields. Regular mowing was accomplished on the soccer fields. A customer who had reserved the pavilion complained because no restrooms were available. There have been problems with vandalism at District park facilities. Director Finley inquired concerning adding signs as to the District's rules and information on whom to call for reservations and for reporting problems at the parks. It was mentioned that the Board has approved rewards for identification of persons responsible for vandalism and destruction of District property. The Board requested that the District's attorney draft language for signs that could be installed at the parks and ball fields.

5. The Board reviewed an application for use for special event at the Imperial Oaks ball fields by O-Zone Extreme Boot Camp, L.L.C. The Board noted that the organization had requested use of the ball fields but had confirmed that the organization is a for-profit organization. The Board noted that the parks and ball fields are intended for use by the public for recreational purposes, and the parks are not organized for use by business organizations. After discussion, upon motion by Director Kelly, seconded by Director Finley, the Board voted unanimously to deny the request for use of the ball fields by O-Zone Extreme Boot Camp, L.L.C.

6. 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 \$2,297,354.34. The capital projects fund balance is \$5,134,413.42. It was mentioned that most of the proceeds of the recent bond issue have been placed in escrow pending TCEQ approval of the District's application for release from escrow. Costs of issuance of the bonds are being paid from the capital projects fund, however. The general fund balance stands at \$736,746.26. The developer's reimbursement will be paid by the District following release of funds from escrow and audit of the reimbursement request by the District's auditor. Mr. Russell noted that there is a balance of \$1,280 in the sewer plant trust account. This account is being managed by the District's engineer, but there has been no activity in the account for quite some time. The Board will obtain a report from the engineer on a proposal to close the account, which will be considered at the next meeting. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the bookkeeper's report and authorized payment of bills listed thereon.

7. Curtis Lacy addressed the Board on behalf of Republic Waste. Mr. Lacy noted that costs of fuel and other charges have escalated substantially in recent months, and the District's current contract rate for solid waste collection services is \$7.51, plus the fuel surcharge. This rate is not enough to cover the actual costs of providing the service. Republic Waste is requesting that approval of a rate increase to \$10 per connection, plus the fuel surcharge. Higher costs are being experienced for all services, but the cost of energy is the

largest element. Recent bids received by Spring Creek Utility District included the lowest bid of \$12.06 that was approved by their board. In response to a question by the Board, Mr. Lacy noted that the original rate paid by the District to the contractor was \$6.95 per connection. Mr. Lacy confirmed that if the Board approves the new rate, the rate will be effective for a minimum of one year. After discussion, upon motion by Director Houston, seconded by Director Venema, the Board voted unanimously to approve the request by Republic Waste for an increase in the charge for solid waste collection service to \$10 per connection, plus the fuel surcharge.

8. The Board reviewed a proposed operating budget for the fiscal year ending May 31, 2007. It was noted that the increase in the solid waste collection fee will result in additional charges to the District. Mr. Russell noted that he already provided for an increase in the proposed budget. Also, the law enforcement revenues should be adjusted. After discussion of the proposed budget, upon motion by Director Venema, seconded by Director Kelly, the Board voted unanimously to approve the proposed budget as revised.

9. Mike McCall addressed the Board and requested to serve as the District's auditor for the fiscal year ending May 31, 2006. Last year the District implemented the GASB 34 requirements that involve depreciation of District assets and scheduling of the District's capital assets. The fee for last year's audit was \$21,000. The fee for the current year is proposed to be \$12,000. Mr. McCall also presented a letter regarding an analysis for fraud that is required under SAS 99. The auditor is not primarily responsible to identify fraud, but the auditor inquires of the Board and others who provide services to the District about the possibilities of fraud. The District's representation letter covers all issues that are necessary to enable the auditor to conduct a full audit of the District's books. After discussion, upon motion by Director Kelly, seconded by Director Venema, the Board voted unanimously to engage McCall, Gibson & Company as the District's auditors for the fiscal year ending May 31, 2006.

10. James Light presented an engineer's report. The engineers have met with the contractor and supplier of the booster pump motor concerning problems with vibration. The supplier believes that the problem is associated with high output and a higher flow rate than called for by the design standards. The District will try operating the pump at lower flow rates, and the operator will assist in monitoring performance of the booster pump under new operating conditions. The District's bonds were delivered last Thursday, and the escrow release application was completed on April 19, 2006.

Mr. Light reported that plans for Rayford Road paving and drainage improvements are 90% complete. The county is still planning for relocation of private utilities related to the Robinson Road project, and construction is expected to commence on Robinson Road in the fall.

Mr. Light reported that drainage improvements to serve Imperial Oaks, Sections One and Two and the commercial property are under design. The topographic survey is almost complete. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the engineer's report as presented.

11. Jim Holcomb presented a developer's report. There have been problems with people entering Imperial Oaks Park from unauthorized locations. The developer in Legends

Run sent a letter to residents of that community informing them of the requirement to enter the park at authorized entrances only and not through the park across the property. The community is discussing a possible fence along the rear of lots in Legends Run. Aldine Westfield Road will be opened with the next section of development in Legends Run.

Mr. Holcomb reported that 171 homes are presently under construction in the District, and there have been 130 sales in the newest sections, to date. Negotiations are close to completion with Kroger for construction on the commercial tract. Consideration is being given to the former Eckerd building for a possible hardware store. The developer is advancing funds for engineering for the storm sewer project pursuant to the drainage improvements financing contract. Work is underway on the water plant in MUD 99, and the developer is planning construction of utilities for additional sections of Imperial Oaks with single-family residences. There have been continuing problems with thefts of building materials, and Mr. Holcomb is talking to the constables about the problem.

12. The Board reviewed correspondence from Frederick Sunderman addressed to the Board requesting a copy of public information from the District, being the District's check register. The District's attorney responded and provided a statement of charges that would be required before copies could be provided. Herman Little advised the Board that the District has four separate bank accounts, and there are no specific check registers for any of them. The information requested by Mr. Sunderman can be provided, but additional services are necessary by the District's bookkeeper to organize data into the format requested by Mr. Sunderman. The statement of costs was prepared according to the Texas Public Information Act and is justified because the District's public information is held at two or more separate locations. After discussion, upon motion by Director Venema, seconded by Director Kelly, the Board voted unanimously to deny Mr. Sunderman's request for waiver of the fees for copying public information.

13. There was a discussion of the attorney's request for approval of an increase in hourly billing rates. The attorney's billing rate has not been changed in the past ten years. The new rate would be \$225 per hour. After discussion, upon motion by Director Kelly, seconded by Director Finley, the Board voted unanimously to approve the attorney's new hourly billing rate.

14. There was discussion of the proposed water supply and interconnect agreement with Montgomery County MUD No. 99. Herman Little presented an outline of provisions of the contract and noted that initially, the water interconnect will serve as a source of temporary water supply for the developer in MUD 99. The meter facilities will be installed to record the volume of water delivered by the District to MUD 99. After completion of the MUD 99 well, the meter will be relocated by the District's operator to record water delivered to the District by MUD 99. MUD 99 will make no cash payment for water purchased from the District, and the District will receive a payment in kind for water received from MUD 99 up to the amount delivered to MUD 99 by the District. The interconnect facilities will include a bypass line that will allow use of the interconnection for an emergency water supply to either district. No meter will be installed on the emergency line. The charge for water delivered through the interconnect will be \$1.00 per 1,000 gallons, and the volume of water delivered in an emergency will be estimated by the district operators. The payment by the District for water supply capacity

in the MUD 99 water plant will be made upon approval by TCEQ of the use of surplus funds for that purpose. The District therefore will have the benefit of a third water supply for the cost of capacity in the MUD 99 plant. This will assure the District of adequate water in the future upon continuation of buildout in the District. After discussion, upon motion by Director Kelly, seconded by Director Houston, the Board voted unanimously to approve the Water Supply and Interconnect Agreement with Montgomery County MUD 99 as presented.

15. The Chair called for customer inquiries. Randy Rothrock inquired as to who represents MUD 99. Herman Little reported that he represents MUD 99. Mr. Rothrock stated that there is a lot of conflict in this situation. Herman Little reported that both boards had been fully informed of the attorney's representation prior to preparation of the agreement, and both boards had and still have the opportunity at any time to express concern about a conflict of interest and to request that other attorneys advise the District in the matter.

Jon Vallery stated that the District's proposal for a new well had been voted down by voters two times. Mr. Vallery inquired as to where the surplus funds that will be used to purchase water capacity had come from. It was mentioned that surplus funds were derived from several previous bond issues of the District that had been sold at interest rates lower than anticipated, and from several projects that had been completed at costs lower than originally estimated and approved by TCEQ.

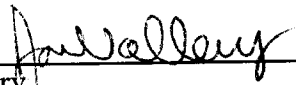
Jeff Sorrells advised the Board that he has observed people swimming in the lake. He had called the constable, and a response was made within 8 minutes, but the officer stated that there was nothing that could be done. Mr. Sorrells stated that since the District has imposed a mandatory \$8 per month charge for law enforcement, it may be helpful to break out the charge separate from water and sewer revenue on the District's bill. A letter to customers may be helpful to inform them about the District's charges. It was mentioned that bushes are overgrown along Imperial Oaks Boulevard and West Welsford and Stoneham, and there are problems for people walking on the sidewalk. This will be brought to the attention of the property owners association. People have been observed running stop signs on Richards Road. Residents of the community have inquired concerning mosquitoes and asked whether anything could be done. It was mentioned that Montgomery County Precinct 3 conducts a regular mosquito control program during the summer months. In response to a question by a resident, Jim Holcomb reported that Kroger will be purchasing the property on which their store will be constructed. There was discussion of the Kroger development and of the impact of commercial development on the District's law enforcement program. Law enforcement charges will be assessed to Kroger and other commercial customers just as is done for residential customers.

There was discussion of the upcoming election on May 13, 2006. Herman Little advised the Board that it will be necessary to have a special meeting to review results of the election, and after discussion, it was decided that the Board will have a meeting on Monday, May 22, 2006 at 7:00 p.m. to review results of the election.

16. There was discussion of customer concerns about the District's water supply. Upon motion by Director Venema, seconded by Director Kelly, the Board voted unanimously to authorize the District's attorney to prepare a letter to be forwarded to customers of the District regarding the District's water supply and actions taken by the Board to assure an

adequate water supply and to provide effective law enforcement service. The Board may include this information on District utility bills, and it can be provided on the web site, also.

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


Secretary