

# RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors  
June 12, 2006

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on June 12, 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:

Danny E. Agans, President  
Jon Vallery, Secretary  
Duane Burrell, Director  
Charles W. Venema, Director

and the following absent:

Michael Smith, Vice President

Also present were Vickey Sullivan, James Light, Kevin Tokarski, Mike Williams, Bill Russell, Darlynn Gober, Brian Jarrard, Allen Schubert, Lonnie Wright, 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 meetings held on May 8, 2006 and May 22, 2006 were presented and reviewed. Upon motion by Director Vallery, seconded by Director Venema, the Board voted unanimously to approve the minutes of both meetings as presented.

2. Vickey Sullivan presented a tax assessor/collector's report. 2005 taxes are 97.1% collected. Ms. Sullivan presented correspondence received from a taxpayer, Laine Clifton, requesting waiver of penalty and interest on the 2005 taxes. Ms. Sullivan reported that the District had received a correction roll dated March 29, 2006 that included the Clifton account for the first time. The assessor/collector issued a tax bill on April 1, 2006, and taxes were due on April 30, 2006. In May, the taxpayer contacted the tax office by telephone and requested waiver of the penalty and interest. Ms. Sullivan noted that the District's tax bill had been issued in a timely manner as required by law, and the taxpayer's responsibility was to pay the taxes immediately upon receipt of the tax bill. After discussion, upon motion by Director Burrell, seconded by Director Vallery, the Board voted unanimously to deny the request for waiver of penalty and interest. Upon motion duly made, seconded and unanimously carried, the Board approved the approved the tax assessor/collector's report as presented.

3. Mike Williams presented an operator's report. The District collected water and waste treatment and disposal revenues of \$145,907.46 during the month. The District accounted for 96% of water produced by the wells. There were 49 taps, bringing the total to 49 new taps for the year-to-date. There are 3,313 connections in the District.

Lonnie Wright reported that a contractor for Conroe I.S.D. had cut a District sanitary sewer force main on two separate occasions. The operator will bill the contractor if the damages are not paid promptly. Lonnie Wright noted that at the last meeting, the Board had approved an increase in the operator's rates for certain services provided. Mr. Wright suggested that the Board amend the District's rate order to ensure that the District does not experience a reduction in net revenues. The Board requested that this item be on the agenda for the next meeting.

Mike Williams presented a Consumer Confidence Report regarding the District's water supply system. The report indicates all constituents for which TCEQ tests public drinking water systems. Tests are made in different years, and the report reflects the year in which the most recent test data were obtained. The Board reviewed the report, and upon motion by Director Vallery, seconded by Director Burrell, the Board voted unanimously to approve the Consumer Confidence Report and authorized mailing the report to all customers of the District.

4. Lonnie Wright described the potential need for water conservation in the District. The District has a drought reduction plan, and the plan requires reduction of water usage when combined water pumpage in the District reaches 2.5 million gallons per day for five consecutive days. Mr. Wright reported that the District has been close to that limit in recent weeks. Customers have been requested to voluntarily reduce water consumption and outdoor use to reduce demands on the system. The Stage One drought reduction plan calls for elimination of outdoor water usage on even numbered days for even numbered addresses and on odd number days for odd numbered addresses. There was a discussion of procedures that are used to notify customers about restrictions in water use.

Lonnie Wright reported on the operator's precautions for outages in the water system in light of the approaching hurricane season. The District has emergency generators at both water plants and at two of three lift stations in the District. Mike Williams lives in the District and is able to respond quickly to problems with the system. The District is able to communicate with other nearby districts when there is a power outage. The District has an emergency interconnect agreement with Southern Montgomery County MUD, and that District is now drilling another well to meet its own needs. The District participates in TxWARN, which is a disaster notification agency. Mr. Wright requested Board authorization to sign up with TxWARN on behalf to the District. There is no cost. The information can assist in obtaining disaster relief from FEMA or mutual aid in emergency situations, and the information can help with customer education, as well. After discussion, upon motion by Director Burrell, seconded by Director Vallery, the Board voted unanimously to authorize the operator to apply for District membership in the TxWARN program.

5. Mike Williams presented a report on the Imperial Oaks Park. Regular mowing was accomplished, and the operator cleaned around the signs in the parks. There were 21 calls for reserving the pavilion and 20 calls for other use of park facilities. It is time to change some of the flowers in the landscaped areas. Mr. Williams requested authorization to replace flowers and to change nets on the soccer fields. After discussion, upon motion by Director Burrell, seconded by Director Vallery, the Board voted unanimously to authorize the operator to make necessary repairs and to change out flowers and nets, as necessary. In response to a question by Director Venema, Mr. Williams reported that all drinking fountains are working

except one. Director Agans requested that the operator check a drinking fountain near Section Five. It was mentioned that that facility belongs to the property owners association.

6. The Chair called for customer inquiries. Jeff Sorrells inquired as to who is developing the property on the north end of the District. James Light reported that the developer is MHI, and the builder will be Pioneer Homes. It was mentioned that the development is a continuation of the Imperial Oaks subdivisions.

7. Sergeant Jeff Brown presented a law enforcement report. There were four burglaries and eight incidents of criminal mischief. There were four narcotics arrests, one armed robbery and one felony theft. There were eight construction thefts. There were ten traffic accidents and five DWI arrests. The officers performed security checks on MUD property and had 547 traffic contacts and 270 community contacts. There were a total of 28 arrests during the month. The constable's office is working to reduce the response time for law enforcement calls. The officers are working with the District to identify all residences within Rayford Road Municipal Utility District, so the 911 operator can communicate directly with the District's law enforcement officers. There was discussion, and Director Venema requested that information be provided to be included on the District's web site.

8. Upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented.

9. It was mentioned that the Board should appoint a law enforcement liaison person. Director Agans noted that Directors Vallery and Smith both had expressed interest in the position, and it was decided that action on the appointment would be deferred until the next meeting.

10. In response to a question by the Board, Herman Little noted that a resident had requested an opportunity to address the Board about a neighborhood watch program several months ago. The resident never attended a Board meeting, and the meeting notice has included an agenda item since then. After discussion, it was decided that the agenda item would be omitted until further request.

11. Darlynn Gober 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 \$2,332,385.95. The capital projects fund balance is \$5,133,929.45. Proceeds of the Series 2006-B Bonds remain in escrow pending TCEQ release. The general fund balance stands at \$718,284.44. Ms. Gober presented signature cards from the District's depository bank and requested that certain checks be held until the new signatures are on file. The Board reviewed the report and a budget comparison report, and after discussion, upon motion duly made, seconded and unanimously carried, the Board approved the bookkeeper's report and authorized payment of bills listed thereon.

12. James Light presented an engineer's report. The well at Water Plant No. 2 has been reviewed, and the measured rate of flow is 1,425 gallons per minute, and this is less than 1,500 gpm according to the original specifications. Mr. Light stated that it is believed that there is a problem with a bearing in the booster pump, but it has been pulled on two occasions,

and no problem has been located. Additional information is expected on the pump tomorrow. There was discussion, and Mr. Light noted that it is not normal to have such noise on a new pump. It may be desirable to have a five-year extended warranty for the pump. The life expectancy of a pump is 20 years. Director Vallery noted that cavitation could be a problem with the pump. In response to a question by the Board, Mr. Wright reported that the cost of the booster pump is approximately \$15,000.

Mr. Light reported that the proceeds of the Series 2006-B Bonds are still in escrow. The Rayford Road rehabilitation project is under design, and the District engineers are waiting for 90% of the plans for review. A new engineer is on the job for the county, and there has been no recent update. The Robinson Road project is expected to proceed soon, as relocation of utilities should be completed soon. The county is expecting to commence road construction by July.

The engineer reported that design is underway for the drainage improvements in Sections One and Six. The topographic survey has been completed. A contact person is needed with regard to an easement on the Faith United Methodist Church tract. There was discussion, and it was noted that the District provides sanitary sewer service to the church. Director Vallery expressed a willingness to assist in this matter.

There was discussion of the wastewater treatment plant settlement account. One customer of the District has not filed a claim for remaining funds held for his benefit. After discussion, upon motion duly made, seconded and unanimously carried, the Board authorized the engineer to continue maintaining the settlement account as-is.

13. Allen Schubert presented a developer's report. Jim Holcomb's mother passed away, and he was unable to attend the meeting. Brian Jarrard will now be attending meetings on behalf of the developer. The Kroger center is moving along, and the developer is hoping for an approval by Kroger on June 23, 2006. Mr. Schubert described planning for development of the property and described benefits that have been provided to the Imperial Oaks community since the partnership bought property in the District in 1991. An elementary school has been added to the District, and development of the commercial center will add commercial improvements that are badly needed. The developer is working carefully to ensure that all tenants of the Kroger center are of the highest quality. The Eckerd store location is expected to become an Ace Hardware store if current plans are successful.

14. The Board reviewed a Resolution Approving Locations for Posting Notices of Meetings. Director Agans requested that meeting notices be posted at the Section Nine club house and at the operator's office. The Board reviewed the Resolution, and upon motion by Director Vallery, seconded by Director Venema, the Board voted unanimously to adopt the Resolution attached to the minutes.

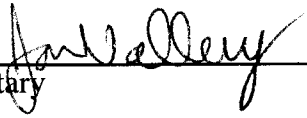
15. No action was taken on the ethics letter and update by the District's investment officer since Mr. Russell is not present at the meeting.

16. There was discussion of the requirement for open government training by the District's directors. Directors Agans and Vallery submitted their certificates of compliance

with the requirements.

17. No director comments were presented.

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

  
Secretary