

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

July 10, 2006

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on July 10, 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
Michael Smith, Vice President
Jon Vallery, Secretary
Duane Burrell, Director
Charles W. Venema, Director

and the following absent:

None

Also present were Mike McCall, Lonnie Wright, Mike Williams, Jim Holcomb, Brian Jarrard, Vickey Sullivan, James Light, 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 June 12, 2006 were presented and reviewed. Upon motion by Director Venema, seconded by Director Vallery, the Board voted unanimously to approve the minutes as presented.

2. The Chair called for director comments. Director Venema reported that he had received an email with video footage of a resident who was blowing grass clippings into a storm drain. The resident who sent the email expressed concern that this activity could cause obstructions in the drainage system. Director Venema expressed his agreement and concern that the District has made efforts in the past to notify residents about these matters, and the notifications have not been completely effective. Herman Little recommended that the Board authorize a letter to the resident at 25718 Richards Road concerning the incident and requesting that the resident cease and desist from using District storm sewers for disposal of yard waste. Upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to authorize the District's attorney to write a letter to the resident indicating the Board's concerns.

Director Agans stated that he would like to have an item on the agenda for the August meeting to authorize the District to purchase signs for placement at entrances to the subdivision providing notification of District meetings. Lorene Roy inquired concerning when the web site will be updated to include current law enforcement information from the constable. Director Venema stated that the law enforcement liaison has been sending the reports to him, and

he immediately updates the web site. Information is needed for the months of May and June, 2006.

3. Vickey Sullivan presented a tax assessor/collector's report. 2005 taxes are 97.8% collected. There was discussion, and upon motion by Director Vallery, seconded by Director Venema, the Board voted unanimously to approve the tax assessor/collector's report as presented.

4. Mike Williams presented an operator's report. The District had water and waste collection revenues of \$143,335.73 during the month, and the District received a total of \$172,538.27 revenue in the general fund. The District accounted for 95% of water produced. 14 water leaks were repaired during the month. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly at 59% of permitted flows. 39 taps were made during the month, bringing the total to 188 for the year-to-date. The District presently has 3,432 connections.

Lonnie Wright addressed the Board and stated that the developer of Montgomery County MUD No. 115 has requested temporary water and sewer service to a residence within MUD 115. The developer will pay all costs of making the connections and for removing the connections when the service is no longer needed. Temporary service would be needed for a period of four to six months. In response to a question by the Board, Mr. Wright confirmed that service would be needed for only one residence. Mr. Wright provided a diagram showing the location of a possible water connection and a location in the sanitary sewer system where a sewer line could be tied-in. It was suggested that the District charge two-times the District's regular rates for the water and sanitary sewer service. After discussion, upon motion by Director Burrell, seconded by Director Smith, the Board voted unanimously to approve temporary water service to a residence in Montgomery County MUD No. 115 with the costs of labor and materials to be paid by the developer and the District to charge two-times the regular rates for water and sanitary sewer service.

Lonnie Wright reported that he and Director Agans had attended a meeting at the Lone Star Groundwater Conservation District. The Lone Star District is planning to reduce the use of groundwater in the most heavily populated areas of Montgomery County. A schedule was outlined for which water supplies will be converted to surface water through construction of new facilities in the future. The county will be divided into as many as four regions for regulation of groundwater pumpage, and all areas will be required to pay a portion of the costs for a surface water system. The source of surface water will be from Lake Conroe. The District is expected to be required to reduce groundwater pumpage to 30% by 2017.

Director Vallery inquired as to the District's funds held in escrow. It was mentioned that the District's escrowed funds are for a sludge haul pad at the wastewater treatment plant to accommodate 18-wheelers that withdraw sludge from the plant. Also, \$460,000 is in escrow for a future clarifier. The clarifier would accomplish redundancy for optimum wastewater treatment. The clarifier is not needed at this time.

5. Mike Williams presented a report on Imperial Oaks Park maintenance. Regular maintenance was accomplished during the month. Seven calls were received for use of

the pavilion and three for use of the ball fields. Two parties were held at the pavilion, and the electrical service connection was destroyed again. The operator planted annual flowering plants at the park. Soccer nets are on order. In response to a question by the Board, Mike Williams reported that the operator mows the parks and wetlands areas and takes care of plantings at the parks. GreenPros mows the other areas including the ball fields. The Board discussed the contract with GreenPros, and the Board requested that the attorney review the contract to determine the term of the District's contract with GreenPros. Mike Williams reported that life guards have been turning the breakers off and on at the recreation center. Mr. Williams suggested that a lock be placed on the breaker box to prevent unauthorized persons from manipulating the electric power. Upon motion by Director Venema, seconded by Director Agans, the Board voted unanimously to authorize installation of a locking facility on the breaker box at the park.

6. The Chair called for customer inquiries. Lorene Roy inquired concerning the soapy condition of drinking water. It was mentioned that the white color is air in the water. The air results from fluctuations in water pressure due to high usage at certain times of the day, particularly in early mornings. It was mentioned that the system may be flushed more often to eliminate air in the water. Lonnie and Mike will check out the water system. There was discussion of the solid waste contractor and employees that handle garbage cans carelessly. Also, when they pick up bags of garbage, debris often falls in the streets. Director Agans stated that the Board will contact Republic Waste and request an explanation for these situations.

7. It was mentioned that the Board should appoint a law enforcement liaison person. Director Vallery stated that he continues to be interested in the position, and upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to appoint Director Vallery as the District's law enforcement liaison person. Director Venema noted that Dwayne Finley would email the law enforcement report to the Board prior to meetings, and Director Vallery stated that he would do likewise.

8. 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 is \$2,339,995.86. The capital projects fund balance is \$2,406,014.42. Mr. Russell stated that he will pay the developer reimbursement amount by wire transfer after the Board approves the auditor's report and the reimbursements. The general fund balance will stand at \$546,600.86, not including an additional transfer check of \$192,228.75. Mr. Russell noted that a check previously issued to Director Kelly was lost, and the Board is reissuing a check at this meeting. The Board reviewed the report and a series of checks presented for payment of current bills. It was mentioned that the homeowners association pays the District for the costs incurred for street lights in the District. These payments are made to the District's general fund. After discussion, upon motion by Director Burrell, seconded by Director Vallery, the Board voted unanimously to approve the bookkeeper's report and authorized payment of bills listed thereon.

9. The Board reviewed the District's rate order. It was mentioned that recent increases in the operator's charges indicate a need to increase tap fees for ¾-inch residential taps, for ¾-inch irrigation taps and for 1-inch irrigation taps. The Board noted that increases are appropriate, and the increases will offset the higher costs of making taps by the District's operator. After discussion, upon motion by Director Burrell, seconded by Director Venema, the

Board voted unanimously to approve an amendment of the District's rate order with higher connection fees as discussed.

10. Herman Little advised the Board that the TCEQ had approved the District's application for release of funds from escrow pertaining to proceeds of the last bond issue. The Board reviewed a letter dated June 12, 2006 indicating TCEQ approval for release of funds from escrow.

Mike McCall addressed the Board and described TCEQ rules that require an auditor's review of reimbursement request by developers. The auditor performs certain agreed upon procedures to review the developer's package, including calculations of interest allowed by TCEQ. Mr. McCall then presented a report reflecting proposed reimbursements from the recent bond issue. The first pages of the report indicate procedures that are used to review the developer's request and calculation of interest. The auditor contacts contractors to confirm that all work was completed and all bills were paid. The auditor reviewed an October 14, 2002 reimbursement contract with the developer to confirm that the reimbursement would be consistent with the District's agreement. Certain amounts of reimbursement were adjusted to be consistent with TCEQ approval and the District's engineer's report. Total deductions amounted to approximately \$26,000. Mr. McCall then described Schedule A that shows expenditures paid by the developer, and it was noted that the total expenditures are \$2,644,455.31. Schedule B shows adjustments made according to the TCEQ approval in the June 12, 2006 letter. After the reimbursement, the District will have additional surplus funds of \$219,911. There was discussion, and upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to approve the auditor's report on the developer's reimbursement request. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve payments to the developer as authorized by the TCEQ and confirmed by the District's auditor.

11. James Light presented an engineer's report. The engineers have talked to the contractor and the supplier of the booster pump, and it has been agreed that the impeller will be trimmed to reduce noise in the booster pump. It will be necessary to recalculate the flow before the work is done. Mr. Light suggested that the Board approve the work and that the Board request an extended warranty for the booster pump for a period of five years. There was discussion of the booster pump and the anticipated service life of the pump. After discussion, upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to authorize revision of the booster pump impeller following calculations by the engineer, and the Board will require an extended warranty for a period of five years for the pump.

James Light reported that Montgomery County's Rayford Road project is delayed because the county hired a new engineer to correct the plans. The 90% plans showed the location of the District's water line, and the engineers will continue to monitor the county's design. On the Robinson Road project, construction is expected to start in the fall. Director Agans inquired as to the status of the discussions with Faith United Methodist Church concerning the District's drainage easement. James Light noted that he will be meeting with the church at 7:00 p.m. on July 11, 2006 to discuss the easement with the church. The District is requesting an easement for installation of a five-foot by five-foot box culvert. In response to a question by the Board, Mr. Light stated that there is an alternative route for the line that would be

approximately \$50,000 to \$80,000 more costly. There was discussion, and it was suggested that the District agree to restore any damage caused to the land or the surface or improvements resulting from installation or any future maintenance of the drainage line. It was suggested that the District not authorize construction of a building on the easement area, however. After discussion, upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to authorize James Light to have discussions with the church and to request the easement with the District's commitment to restore the surface and repair any improvements, but to request that no building be constructed on the easement area.

James Light reported on the Lone Star Groundwater Conservation District. The Lone Star District has determined that the community is over-pumping the groundwater resources. The conversion to surface water will start as early as 2013. Water will be obtained from Lake Conroe. Two-thirds of water in Lake Conroe is owned by the City of Houston. The county will most likely be divided into four zones. Public comments will be requested for the proposed plan in November or December of this year.

Director Smith inquired as to the need for a water agreement with MUD 99 if the District will have surface water. Herman Little advised the Board that the surface water system is several years in the future, and MUD 99 will require a water supply within the year. The MUD 99 system has capacity for the District to have capacity, and the additional water supply capacity for the District will be available immediately upon completion of MUD 99's well at the first of the year 2007. The District will own capacity in the well, and it will serve the same purpose as a third well for the District. In the future, when surface water is available in the area, districts that have productive wells with long anticipated life expectancy will be allowed to continue pumpage to supplement surface water supplies. The District's investment in the MUD 99 well will be beneficial to the District immediately and will not be dependent upon the timing of conversion to surface water.

12. Jim Holcomb presented a developer's report. The Kaufman Elementary School will open in August. Landscaping will be provided in the area around the school. The school will have after school programs through the South County YMCA, including day care in the future. Mr. Holcomb reported that the contract for the Kroger store will be signed on July 11, 2006, and a sign will be erected in front upon signing the contract. The old Eckerd store will be converted to an Ace Hardware store. Mr. Holcomb reported that a problem had been experienced in Imperial Lake where approximately one-half of the water was lost. The lake is being refilled now, and investigation is being made into the cause of the problem. Mr. Holcomb reported that 218 homes are under construction in the District at this time, and there have been 203 sales for the year-to-date. The Rayford Road improvements are expected to start in 2007.

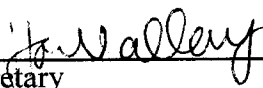
13. Director Agans inquired concerning a public information request by a member of the public. Herman Little reported that no second request had been received.

The Board reviewed a letter from the District's investment officer confirming that there are no conflicts of interest with regard to requirements under the Texas Public Funds Investment Act.

Director Smith expressed concern about the law enforcement services. The Board

should require an officer to be present at each meeting to present a report. Director Agans stated that he would follow up with the constables concerning meeting attendance.

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


Secretary