

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

August 14, 2006

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on August 14, 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 Williams, James Light, Lonnie Wright, Drew Masterson, Bill Russell, Vickey Sullivan, Sergeant Jeff Brown, Jim Holcomb, 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 July 10, 2006 were presented and reviewed. A correction of the minutes was requested by the engineer. After discussion, upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve the minutes as corrected.

2. Upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to consider agenda Item No. 2, Director Comments, after Item No. 18.

3. Vickey Sullivan presented a tax assessor/collector's report. 2005 taxes are 98.2% collected. There was a correction to the appraisal roll, and numerous checks were presented for refunds due to late-granted homestead exemptions. After discussion, upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to accept the tax assessor/collector's report as presented.

4. The Board then considered the 2006 tax rate. Drew Masterson addressed the Board and described his services as the District's financial advisor. In addition to organizing bond issues for the District, the financial advisor deals with debt service tax rate considerations. Mr. Masterson presented a cash flow schedule that indicates the effects of taxable value growth and the proposed debt service tax rate for 2006. Last year's debt service rate was \$0.72. During 2005 the District issued new bonds and refinanced certain old bonds. The interest rates on the

new bonds were lower than anticipated, and the combined effects of the bond issues will allow a reduction in the debt service tax rate. The financial advisor is comfortable with the District's fund balances, and a 97% collection rate, which is conservative, indicates that a lower tax rate will be sufficient even without further growth in taxable assessed valuations. The recommended 2006 debt service rate is \$0.66 per \$100 assessed valuation. It was mentioned that the TCEQ approved the last bond issue with an assumed tax rate of \$0.70. If the Board wishes to consider a lower tax rate, then an application will be required to the TCEQ for approval of the lower rate. Director Vallery inquired as to the number of homes that pay taxes. Vickey Sullivan responded and reported that there are 3,866 taxable parcels within the District. Director Venema inquired as to whether a smaller tax rate reduction would enable the District to retire any bonds. Drew Masterson stated that it would not be possible. Director Vallery inquired as to whether there are surplus funds. Drew Masterson reviewed the bookkeeper's report of funds on hand in the debt service fund and bond payments required in the remainder of the year. The ending fund balance will be \$1.4 million. This balance will be sufficient to protect the District and will be favorable to the bond rating agencies that observe fund balances as important indicators of financial strength.

There was discussion of a proposed maintenance tax for 2006. The 2005 maintenance tax rate was \$0.042. It was mentioned that the same tax rate would produce \$166,000 of revenue assuming 97% rate of collections. This compares favorably to the budgeted amount of \$160,000. It was mentioned that the roll back tax rate for maintenance and operations is \$0.0434, and the Board noted that there is very little income that would be achieved by raising the rate to the roll back rate, approximately \$5,000 for the year. Vickey Sullivan advised the Board that the state requires calculation of average taxable values of homesteads in the District in the prior year and current year and the tax bill on the average homestead and the proposed tax bill for the current. The roll back calculation applies only to the maintenance tax and not to the debt service tax. Herman Little recommended that the Board retain the same maintenance tax for 2006, \$0.042. After discussion, upon motion by Director Venema, seconded by Director Vallery, the Board voted unanimously to propose a 2006 tax rate of \$0.702, comprised of \$0.66 for debt service and \$0.042 for maintenance and operations. Upon motion by Director Venema, seconded by Director Vallery, the Board voted unanimously to call a public hearing on the proposed 2006 tax rate for Monday, September 11, 2006 at 7:00 p.m.

5. Mike Williams presented an operator's report. Water and sewer revenues for the month were \$164,059.82, and total revenues were \$190,463.58. The District accounted for 96% of water produced. 13 water line repairs were made during the month. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly, and there were no permit violations. The plant operated at 62% of permitted capacity. 23 taps were made during the month, bringing the total to 211 for the year-to-date. The District presently has 3,455 taps. Mr. Williams presented a list of delinquent accounts that are uncollectible and proposed to be written-off. The customers whose names are on the list no longer live within the District, and the accounts have been past due for many months. Upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to approve writing-off the uncollectible accounts on the operator's list. Director Agans requested that the operator present a report at the next meeting on the Lone Star Groundwater Conservation District's plan for surface water conversion.

6. Mike Williams presented a report on Imperial Oaks Park maintenance. Regular mowing of the parks and wetlands was accomplished. There were three calls for use of facilities, two for the pavilion and one for the ball field. The parks are mowed every week. A plumber was called for a cost estimate for repair of the water fountains, and the cost of repair for one would be \$252.86, not including a part that will cost \$360. There was discussion of the water fountains, and it was mentioned that the fountains are incased in concrete and cannot be serviced easily. There was discussion, and Director Smith suggested that the operator obtain competitive bids for the water fountain repairs. Mr. Williams stated that bids will be obtained. The breaker box now has a hasp and lock and is secure. Four soccer nets were installed during the month.

Director Venema addressed the Board and stated that the new property manager for the property owners association contracted for replacement of the fall surfaces in all of the POA parks, and inadvertently the playground in Imperial Oaks Park was included. The cost of the surface within the District park was \$1,895. The association is requesting that the District cover the cost of the new surface materials in Imperial Oaks Park. There was discussion, and it was mentioned that the new surface is a much better material, and it adds value to the park. Lonnie Wright stated that the surfaces are replaced once per year, in any event. After discussion, upon motion by Director Smith, seconded by Director Agans, the Board voted three in favor and none against, with Directors Venema and Burrell abstaining, to authorize payment to the property owners association for the new surface in the Imperial Oaks Park.

7. The Board considered a request for amendment of the operator's contract and compensation. Herman Little advised the Board that at the last meeting, the Board had considered adjustment of rates charged to builders for new taps and connections. The operator had requested that the attorney also include an item for Board consideration of an increase in the operator's charges for new taps resulting from increased costs of materials, but the operator's request was not included on the last agenda. Lonnie Wright advised the Board that the brass supplier has doubled the cost of materials for new taps. The request is for an increase from \$275 to \$315 per tap. After discussion, upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to approve the operator's request for additional compensation for taps.

8. The Chair called for customer inquiries. Jeff Sorrells, a resident of Imperial Oaks Park, Section Seven, inquired concerning signs in school zones around the elementary school that will be opening in a few days. Jim Holcomb stated that the new signs will be put in by the school district. Crosswalks at the schools have been striped by the developer's paving contractor. The county will be accepting the streets and will re-do striping in the future, as necessary.

Bob Ercoli, a resident of the District on Copperleaf Drive, stated that there is too much traffic on his street, and most drivers do not observe the 25 mph speed limit. There are many kids on the street, and vehicles of all kinds go too fast, including school buses. Mr. Ercoli stated that he realizes that the constables do as much as they can, but Imperial Oaks needs more police protection and should have its own police department.

Jeff Sorrells addressed the Board and inquired concerning the reported overuse of

groundwater resources and inquired as to what actions are being taken by the District. Director Agans stated that the Lone Star Groundwater Conservation District is preparing plans for development of surface water sources, and by 2013 30% of the District's water supply will come from surface water. By 2032 80% of the water will be surface water. The cost of surface water will be shared by all customers throughout the county. This is being done by mandate of the state. Director Agans stated that the Lone Star District has estimated that surface water will result in an \$8.00 per month increase in costs of water.

9. The Board considered a request for public information and for waiver of fees associated with the request. Herman Little advised the Board that Frederick Sunderman had written a second letter requesting public information, this time asking for check registers for only six months of 2005. Because of expenses associated with gathering information, fees may be assessed by the District to offset the costs of gathering the public information. Director Agans stated that he has concerns that members of the public should have access to all information that is available, but when costs are incurred to make the information available, then those costs should be paid by the requesting party. Directors Burrell, Venema and Smith stated their agreement that the fees should be paid. Director Vallery stated his opinion that the fees should not be required. The information is already there and should be provided. Bill Russell addressed the Board and stated that the information requested was not available. The District does not maintain check registers in a format as requested by Mr. Sunderman. It was necessary for the bookkeeper to process data within the computer to prepare reports in the format requested. Herman Little noted that the information would be available for review by any member of the public without charge, but Mr. Sunderman has requested copies of the information in both requests. It is the cost of copying that justifies charging the fee. It was mentioned that the information could be made available for review at the District operator's office, and no fees would be required unless copies were requested at that time. Upon motion by Director Vallery, seconded by Director Smith, the Board voted four in favor with Director Vallery voting against a motion to deny the request for waiver of fees, and the Board voted to allow the records to be viewed at the operator's office during regular business hours.

10. Director Agans commented on the law enforcement services provided by Montgomery County. Director Agans stated that the MUD contracts for a certain number of officers to patrol in Imperial Oaks, and the number of officers was increased recently, so the request made by Mr. Ercoli has already been accomplished. The contract requires the officers to patrol major thoroughfares, parks and un-built areas as a matter of priority, and it is hard to see the officers under normal circumstances. Members of the public need to be able to see the constables more often.

Sergeant Jeff Brown addressed the Board and stated that he is the law enforcement supervisor in Imperial Oaks, and he agrees with the concerns expressed by the customers and the Board. Five officers are assigned to patrol in the District, and the requirement to patrol thoroughfares means that at peak traffic times, there are no officers on patrol in other areas of the District. It is recognized that the contract puts a priority on high traffic areas, and this is high priority for the entire District. Sergeant Brown stated that the constable expects to have a traffic trailer in the near future. This device will demonstrate the speed at which oncoming vehicles are traveling. These devices typically result in lower speeds. The constable is also looking for additional radar equipment with which to patrol. The contract does say that

thoroughfares should be patrolled, but it also states that all other actions normally taken by constables will be performed under normal circumstances. Sergeant Brown stated that he would like very much to have more patrols within neighborhoods. Imperial Oaks is a very busy subdivision, and the number of deputies is reduced whenever an officer is out for training, vacation, sick leave or transporting prisoners to jail or preparing reports. Sergeant Brown stated that the constable recognizes the problem and is working on it. Director Agans suggested that officers be assigned at a particular location, so visibility will be increased. Sergeant Brown stated that when Kaufman Elementary School opens, an officer will be on site. It was mentioned that Officer Greenwood with C.I.S.D. has responsibility for the elementary school. Director Smith suggested that more use be made of the Rayford Road MUD web site for information about law enforcement activities. There was further discussion, and Sergeant Brown then presented a law enforcement report.

11. Sergeant Brown reported that there were five assaults, five family violence assaults and one burglary of a vehicle during the month. There were 38 disturbances and 7 events of criminal mischief. There were eight thefts, six accidents, 396 traffic contacts and one vehicle theft. There were 307 community contacts and a total of 477 calls. Director Burrell requested that the report be broken down to show traffic warnings versus citations issued. Sergeant Brown stated that all warnings issued by the constables are verbal. No written warnings are issued by the constables. In response to a question from the audience, Sergeant Brown reported that a building check arises when an officer leaves the vehicle to investigate or observe circumstances in the area. There was discussion of other jurisdictions and law enforcement services available in those areas. In response to a question by Director Smith, Sergeant Brown noted that full coverage of the District would require at least seven officers. Director Venema suggested that there be further discussion about providing a base of operations for the constables. Jim Holcomb noted that the Emergency Services District has a long term location for a fire station on Aldine Westfield Road. Mr. Holcomb stated that it may be possible to find space for a public safety office in the commercial center on Rayford Road. Sergeant Brown stated that if an office was available in the District, at least one-half hour per shift could be saved by enabling officers to write reports on site. The only requirements for the space would involve a desk, a desk top computer with a Wi-Fi connection, lights and water. There was discussion of pros and cons of having a local office for law enforcement officers. Sergeant Brown agreed to give further consideration to the subject and provide more information to the Board as is available.

Director Agans inquired concerning equipment that is needed by the constable. Sergeant Brown presented a report indicating the need for in-car audio/video systems, traffic enforcement radar, portable breath testers, digital cameras, patrolman's latent print kits and a supervisor's latent print kit. With the number of units reported, the cost would be a total of \$14,665.95. Sergeant Brown reported that the constable has not requested funding from the District for a long time. The constable has spent funds to outfit cars that are used in the District and has not made a request for funding. At this time, however, the constable is asking for funds for the equipment to improve efficiency and effectiveness of officers in the area. In response to a question by Director Venema, Sergeant Brown reported that if an officer leaves the assignment in the District to patrol elsewhere, the equipment can be swapped for equivalent equipment in a new vehicle, or the constable can put the equipment together from scratch and use it in the next vehicle. In response to a question by the Board, Bill Russell reported that the budget could

withstand the expenditure. Mr. Russell reported that previously the District has purchased equipment for three vehicles, so this would bring the total to five vehicles equipped at the District's cost. Sergeant Brown noted that the equipment purchased by the District has worn out, but the constable has replaced those items. Director Agans stated that the District should give full support to the officers who provide law enforcement for the District. After discussion, upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to approve purchase of the equipment requested by the constable, a copy of which request is attached to the minutes.

12. 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 will stand at \$2,344,658.43. The capital projects fund balance is \$2,415,510.19. The general fund balance is \$567,427.15, not including a transfer check that will increase the balance to \$759,015.60. The Board reviewed a budget comparison report and noted that the District has net revenues above expenses of \$43,815.16 for two months of the fiscal year to date. After discussion, upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve the bookkeeper's report and authorized payment of bills listed thereon.

13. James Light presented an engineer's report. The booster pump supplier has provided calculations for trimming the impeller in the booster pump. The manufacturer will agree to a one-year warranty but not a five-year warranty. Mr. Light recommended that the Board go ahead with trimming the impeller and to accept the one-year warranty. The Rayford Road paving project is expected to have 90% plans by August 17, 2006.

The Imperial Oaks, Sections One and Two drainage project design is in progress. Mr. Light met with Faith United Methodist Church regarding the drainage easement. The church officials stated that they would like to alleviate a problem with standing water in connection with the storm sewer construction, and this can be accomplished without any problem. The officials also requested that their attorney review the proposed easement document at no cost to the church. Later, the officials asked about obtaining water supply service from the District. Mr. Light will obtain information from the church as to future usage requirements. It appears that the church would require only nine or ten equivalent single-family residential connections, and the District may be able to add those connections to the system.

The engineer and Director Agans attended a meeting of the Lone Star Groundwater Conservation District on August 1, 2006. The Lone Star District is considering two plans for conversion to surface water. It was mentioned that Rayford Road Municipal Utility District is the fourth largest consumer of groundwater in the county. Regulatory zones will be established by 2007. It was reported that the San Jacinto River Authority owns 30,000 acre-feet in Lake Conroe. The surface water plan anticipates blending groundwater with surface water at each water plant. This will require additional equipment at the water plant. The Lone Star District is acquiring easements for a surface water delivery system.

James Light reported that utility commitments have been requested for the Kroger store and for retail space in the center. The District presently has 3,780 gallons of water capacity, and this will be sufficient until the MUD 99 water plant is complete. After discussion, upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to

authorize issuance of utility commitments for the Kroger store and for retail space as presented by the engineer. James Light requested that the Board authorize advertisement for bids for the drainage improvements upon completion of plans and government approvals. It was mentioned that the developer will be advancing funds for construction of the drainage improvements until the District has authority to expend surplus funds for the project. Upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to authorize advertisement for bids for the drainage improvements to serve Imperial Oaks, Sections One and Two.

14. Jim Holcomb presented a developer's report. The developer has been answering many calls about the Kroger store. Kroger has made a binding commitment to purchase the site. A concrete fence eight feet in height will be constructed around the center adjacent to areas with residences. Conroe I.S.D. will be opening Kaufman Elementary School on Wednesday of this week. Mr. Holcomb noted that there may be space for an office for constables in the Kroger center, and if not, at the proposed fire station on Aldine Westfield Road. There are 217 builder homes in the District. There have been 243 sales in the District to date, and the continuation of building in the District will result in additional opportunities for reduction of the tax rate in the future. Mr. Holcomb anticipates that more than 300 units will have been built in the District during 2006.

15. The Board reviewed a reservation of right-of-access across drainage easement. Herman Little advised the Board that in 2002, prior to development of new sections of Imperial Oaks within Drainage District 10, planning was underway for development of the property, and it was anticipated that a drainage easement would be required along the easterly boundary of the property. The developer negotiated a conveyance of a 200-foot-wide drainage easement from owners of the adjoining property. The easement was granted to three parties, to the Imperial Oaks Joint Venture, to Rayford Road Municipal Utility District and to Montgomery County Drainage District No. 10. It was not known at the time which entity would have responsibility for the drainage area.

In anticipation of further development of land east of the District, it has been determined that access across the drainage easement is required. The developer has requested approval of a reservation of right-of-access across drainage easement from Imperial Oaks Joint Venture, Rayford Road Municipal Utility District and Montgomery County Drainage District No. 10. Herman Little advised the Board that the District will have no need for the easement and no responsibility or duty for maintenance of the easement. The easement is outside the District's boundaries, and it now includes the area of the Drainage District 10 drainage outfall. The document granting access across the easement includes a commitment by the developer to protect drainage within the easement and to refrain from any obstruction or interference with drainage facilities in the easement resulting from construction of streets, roads, bridges or other thoroughfares. There was discussion, and Herman Little confirmed that the District will have no need for the easement area, and the District will incur no detriment or disadvantage by approving the reservation of right-of-access. Upon motion by Director Smith, seconded by Director Venema, the Board voted unanimously to approve the reservation of right-of-access across drainage easement, and the Board authorized the president to sign the document for the Board and District.

16. There was a discussion of the grounds maintenance contract with

GreenPros. Director Agans stated that there has been confusion regarding mowing parks, ball fields and green space within the District caused by multiple contractors. There should be only one entity mowing the District's properties. In response to a question by the Board, Mike Williams stated that the operator can perform all mowing responsibilities for the District without difficulty. In response to question by the Board, Herman Little stated that there is no requirement for competitive bids for the mowing contract. After discussion, upon motion by Director Smith, seconded by Director Venema, the Board voted unanimously to terminate the grounds maintenance contract with GreenPros and to give 30 days written notice of termination.

17. It was mentioned that Director Vallery requested that the attorney's contract be reviewed at the meeting. Director Vallery stated that he does not feel comfortable with the attorney representing the District while representing other districts in the area. Director Vallery stated that he would like for the District to have contact with other attorneys who may be able to represent the District without conflicts of interest.

Herman Little addressed the Board and stated that the representation of multiple districts in the area may give rise to a conflict of interest, but mutual representation does not automatically create a conflict. The attorneys' representation of multiple districts allows the attorneys to use their expertise and awareness of development and utility requirements in the area to the advantage of all parties. Such representation allows for a uniformity of vision for the entire community, and it enables the attorneys to work efficiently for the districts at lower cost. Director Agans expressed concern about having the discussion in an open meeting. The discussion involves personnel and should be handled in an executive session. Herman Little advised the Board that the attorney is a contractor with the District, just as the tax assessor/collector, bookkeeper, engineer and operator, and the Attorney General of Texas has interpreted the Texas Open Meetings Act to prohibit closed meetings for discussion of contract terms.

Director Agans stated that the new directors had come on the Board to lower the tax rate, and they have done that. Director Agans stated that he would like the Board to think about the subject before taking action, because it could affect other parties. Director Venema stated his opinion that the Board of Directors has had nothing to do with the tax rate reduction. Director Venema then inquired as to the reason for Director Vallery's request.

Director Vallery stated that the District is not getting all the value it should expect. In response to a question, Director Vallery stated that he does not know in what respect the District does not receive value and he can't tell without talking to other attorneys. Director Vallery then made a motion to authorize Director Vallery to speak to other attorneys about what they do and to report back to the Board and to describe the situation and to determine how they would handle a similar situation. Director Smith stated that he saw no need to take such action at this time. Director Venema stated his agreement. There was further discussion, and it was noted that the motion died for lack of a second.

Director Agans stated that the District should address the root of the problem and should address some issues that brought the directors together. There should be a way for the Board to work together. Director Vallery suggested that the Board have a workshop meeting. There was further discussion, and upon motion by Director Smith, seconded by Director

Venema, the Board voted unanimously to table further consideration of the matter until the next regular meeting, at which time the item will be on the top of the agenda. The Board requested that Director Vallery determine what questions he has to ask, so a factual basis could be determined for the discussion. It was also requested that a written scope of the project be prepared as to contacts with other attorneys.

18. Director Agans stated that he had proposed purchasing signs giving notice of board meetings that could be installed prior to each meeting at entrances to the subdivision. The cost would be approximately \$20 per sign for four major entrances in the District. In response to a question by the Board, Lonnie Wright stated that his company would be able to put up the signs and take them down. Upon motion by Director Agans, seconded by Director Venema, the Board voted unanimously to approve purchase of signs to give notice of board meetings.

19. Herman Little advised the Board that in light of the Board's decision to reduce the tax rate to \$0.66 for debt service, an application to the TCEQ will be necessary. Upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to adopt a Resolution Authorizing an Application to the TCEQ for Approval of a 2006 Tax Rate of \$0.66 per \$100 Assessed Valuation.

There followed a period of director comments, and Director Venema suggested that after Sergeant Brown delivers the monthly report, he should be excused to pursue law enforcement responsibilities in the area.

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


Secretary