

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
October 9, 2006

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on October 9, 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
Charles W. Venema, Director

and the following absent:

Duane Burrell, Director

Also present were Bill Russell, Mike Williams, James Light, Cindy Oliver, Jim Holcomb, Tim Holifield, Sergeant Jeff Brown, Herman I. Little, Jr. and persons on the attached list.

1. The meeting was called to order, and the directors and District consultants introduced themselves to persons attending the meeting.

2. Minutes of the meeting September 11, 2006 were presented and reviewed. Upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to approve the minutes as presented.

3. Director Agans noted that the Board will accept customer inquiries at this time. It was noted that the Board will take no action on Agenda Item No. 9 with regard to continuing disclosure filings. The Board previously approved a contract for continuing disclosure services. Director Agans noted that customer comments will be limited to five minutes each, and each person will be requested to give his or her name before speaking.

Randy Rothrock addressed the Board and stated that he wishes to discuss Agenda Item No. 13. Comments on that matter were then deferred until the matter is considered later in the meeting.

David Bates reported that he resides in Imperial Oaks, Section Nine, and there is a problem in the neighborhood with juveniles, vandalism and assaults. On October 8, 2006 he made a call for assistance by the constable, and an officer did not respond until 45 minutes later. Juveniles have been observed smoking marijuana, urinating in shrubs and conducting other

sexual activity in public. Mr. Bates stated that he was never contacted by an officer for a follow up on the report. The people left the community and came back later, including older individuals wearing blue colors. Mr. Bates stated that safety issues regarding stop signs have been ignored. Mr. Bates stated that he is a ten-year resident and is concerned about traffic violations because he has four children.

Bill Griffin reported on Thursday or Friday of the previous week he observed individuals wearing red colors in the street obstructing traffic. These individuals threw a bicycle in front of a car. A call was made for assistance by the constable, and a deputy arrived in 15 minutes. Mr. Griffin is upset about the gang activity and stated that something needs to be done. The community is concerned about the welfare of young children and is very concerned about a recent incident involving a young child.

Candi Seaback addressed the Board and stated that she resides in Imperial Oaks, Section Nine, and her son was assaulted by individuals wearing red colors. The individuals rubbed dog feces on her son. Ms. Seaback cannot allow her child to play in the park anymore. Ms. Seaback stated that people have confronted these individuals, but they are resistant to authority. A constable was called and was going to write a citation, but he then told Ms. Seaback that there was nothing that could be done because the matter would only be referred to Family Time. Juveniles have been smoking and using curse words. Ms. Seaback's husband walked down the street and talked to the mother of one of the individuals, and the mother stated that it is a gang but said that it is only a neighborhood gang. Mr. Griffin inquired as to whether anything was ever done about the incident.

Constable Tim Holifield addressed the Board and stated that matters involving the identity of juveniles and results of activity involving juveniles are protected by state law. The constable cannot provide specific information as requested without violating state law.

Chuck Walker addressed the Board and inquired as to how the matter was addressed and what action was taken. Mr. Walker stated that the penal code allows for citation of 15 year olds as juveniles. Mr. Walker stated that offense reports need to be made available to the community, and if they cannot be made available, then the community should be told why not. There was discussion, and upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to hold a special meeting of the board of directors on Monday, October 23, 2006 to address law enforcement issues that have been raised at this meeting and to allow the constable to respond to concerns brought up by the community. Director Agans requested that the constable attend the meeting and present a comprehensive plan on how to address issues involving speeding, stop signs and juveniles. Constable Holifield stated that he would attend the meeting on October 23, 2006.

4. Mike Williams presented an operator's report. The District had water and sewer revenue of \$179,997.01 during the month, with total revenues of \$204,410.15. The District accounted for 98% of water produced. 18 water leaks were repaired. Ten bacteriological samples were taken from the water system, and all were satisfactory. The

wastewater treatment plant operated properly without permit violations. The plant operated at 59% of permitted capacity. There are 3,508 connections in the District. 22 taps were made during the month, bringing the total to 226 for the year-to-date.

Mike Williams reported that the operator inspected storm sewers in the streets around the new elementary school and found six to eight inches of silt in the storm sewers. Conroe I.S.D. was contacted, and they stated that they would consider the matter as a priority item. Director Agans inquired as to whether C.I.S.D. will accept responsibility for the runoff. Jim Holcomb stated that he has not spoken with the school district yet, but the school district now knows about the problem and the source of the silt. The operator estimates the cost to be \$5,000 to \$6,000 to fix the problem. It was mentioned that C.I.S.D. should be responsible for the costs. After discussion, upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to authorize the attorney to write a letter to Conroe I.S.D. requesting immediate action to clean up the streets, to plant adequate vegetation to prevent silting from the site and to remove mud and silt, as necessary. The District will clean the storm sewer to remove silt, and C.I.S.D. will be held responsible for the costs. Mike Williams suggested that the Board allow the grass to be established at the school site before cleaning the storm sewer to prevent a reoccurrence of silting. Mike Williams will coordinate activities necessary to address the matter.

Mike Williams presented a report on Imperial Oaks Park. The operator conducted regular mowing. Three more dead trees were removed from the area. There were eight calls for use of the pavilion and five calls for use of the ball fields. Mike Williams noted that a party was held at the pavilion recently, and the restrooms were not open because no one had contacted the homeowners association. The association has hired a person to open and close the restrooms and to inspect following use of the facilities for reserved events. The charge is \$10 to open and \$10 to close the restrooms. It was mentioned that the District presently charges a fee of \$50 for rental of the pavilion, and an additional \$20 could be added to cover the HOA cost of opening and closing the restrooms. It was mentioned that after the recent PTO event, the restroom was left in a mess. In a response to a question, Mike Williams reported that the District had waived the \$300 deposit for the PTO. There was discussion, and it was mentioned that the deposit will no longer be waived, even for community service events. There was discussion, and upon motion by Director Venema, seconded by Director Smith, the Board agreed to have an item on the next agenda to amend the rules and regulations for the Imperial Oaks Park and recreational facilities and to include charges for use of restroom facilities to offset the HOA cost.

Mike Williams reported that the operator mowed and fertilized the parks. The parks will be re-seeded as necessary. All water fountains were repaired during the month. Four complaints were received concerning ants on the ball fields, and the operator spread ant bait in the area.

5. Sergeant Jeff Brown presented a law enforcement report. Sergeant Brown introduced Deputy Sutton who will be filling a vacant position in the District. Sergeant Brown reported that there was one aggravated assault, four burglaries of habitations, one burglary of a

vehicle, six criminal mischief incidents, two criminal trespass incidents and 17 disturbances during the month. There were 852 MUD checks. There were five felony thefts and two misdemeanor thefts. One major accident was investigated, and there were seven DWI arrests. There were 338 traffic contacts during the month. Director Agans requested clarification as to what are MUD checks. Sergeant Brown stated that the action to be taken depend upon the facility. It includes any action taken by an officer out of the vehicle to observe District facilities. The officers check gates at all District facilities to make sure they are secure. The MUD checks also may be made from a vehicle using a light in many instances. In response to a question from the audience, Sergeant Brown reported that an abandoned or a junk car is one that is out of inspection or not registered or that is broken down. A vehicle that is in place for more than 24 hours and is not operable is considered abandoned. A member of the audience inquired as to how many citations were issued out of the 338 traffic contacts. Sergeant Brown stated that he did not have the information, but the constable is preparing a report that has more detailed information that will break down citations and warnings.

Chuck Walker inquired as to the status of felony arrests and as to how many had been cleared and whether charges were filed. Sergeant Brown stated he did not have that information. Detectives are used to follow up investigations after felony arrests. Constable Holifield stated that when arrests are made, the constable cannot comment on cases that are under review pending filing of charges. The officers respond to every report of a felony or criminal activity.

A resident inquired as to an incident that had occurred at 31307 Copper Leaf when a constable pulled a pistol on a resident. It was mentioned that the incident occurred one year ago, and there is no information about the incident. Director Agans noted that the District will be having a special meeting on October 23, 2006, and there will be discussion with the constable concerning these matters. Director Agans inquired as to whether there is a gang task force available. Constable Holifield stated that all law enforcement authorities have access to the gang task force. It was mentioned that activity in Section Nine will not stay in that neighborhood, and it will spread into other communities. Constable Holifield stated that the community is growing faster than most communities in the state, and when a constable makes an arrest, the deputy is invisible to the rest of the community for several hours while taking a person to jail and completing paperwork. It may be advisable to invest in more resources. Constable Holifield stated that he is very sensitive to gang issues and will take all necessary action. Constable Holifield stated that he will be happy to visit with citizens outside the meeting room to give further consideration to these matters. Director Venema requested monthly reports from the constable for the District's web site, including reports for July, August and September. This information will be provided as requested.

6. The Board considered a request by Montgomery County for additional compensation for law enforcement officers. Director Agans stated that if the District has a 100% contract, then the District owes the deputies compensation for their work as obligated by the contract. It was mentioned that a 3% increase was approved for all officers in the county, and

this will apply to all contract deputies, as well. In response to a question by the Board, Herman Little stated that the contract states that the District will pay 100% of the costs of providing the service, and this would include insurance and benefits. Bill Russell noted that the District has expense of \$376,617.04 for law enforcement services for the year to date versus \$336,000 of revenues from the \$8.00 per month increase by the District. There are 3,500 taps in the District. There are 300 taps remaining in the District, of which 50 will become active this year. There was discussion of the funding shortfall, and Mr. Russell noted that under the previous program using voluntary donations, the shortfall was more than \$100,000. There was further discussion of the request for increase in compensation, and upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve the increased compensation as requested by Montgomery County.

7. Cindy Oliver presented a tax assessor/collector's report. 2005 taxes are 98.8% collected. Tax bills for the District will be sent before next month's meeting. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the tax assessor/collector's report as presented.

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 will stand at \$1,497,892.74. The capital projects fund balance is \$2,432,603.97. The general fund balance is \$756,587.21 including the transfer check to be approved at this meeting. The Board reviewed a budget comparison report and noted that the District is approximately \$200,000 ahead on revenues and approximately \$200,000 behind on expenses, but the budget items will even up by year end, and the District is in good shape. Upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to approve the bookkeeper's report and authorized payment of bills listed thereon.

9. James Light presented an engineer's report. The impeller on the booster pump at Water Plant No. 2 was inspected, and no damage was noted. The impeller has been trimmed and the pump will be placed back in service soon. There is no remaining warranty. Plans for the Rayford Road improvements are 90% complete, and the project is expected to be bid in October. The engineers have indicated locations of the District's water interconnect line. The Robinson Road project is not expected to begin for four to six months.

The storm sewer project to serve Sections One and Two, Phase 1 is being advertised for bids, and the bid opening will be October 19, 2006. The storm sewer easement has been presented to Faith United Methodist Church, and their attorney will be reviewing the easement and will report back during the week. A tunneling contractor has been contacted concerning the box culvert to be constructed between the two homes. The contractor has reviewed the plans and sees no problems with the project. It may be possible to inject foam to shore up the soil between the houses, if necessary. The tunneling will involve a distance of less than 300 feet. Since groundwater has been found throughout the area at eight feet, the project will include well pointing. This has been included in all construction contracts in the area for

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years. The property descriptions are available for the easements between the two homes, and the attorney will be preparing easement documents. James Light requested that one of the directors accompany him to meet with the two property owners. Director Smith has expressed willingness to do so on any day except Tuesdays and Thursdays. The engineer reported that a structural engineer has been contacted for inspections related to the work. In response to a question from the audience, James Light reported that the Robinson Road project will include construction of shoulders. The plans for Robinson Road are not available yet. Plans can be sent to VanMor Properties when they have been received, both for Robinson Road and Rayford Road. It was noted that the clearing on Robinson Road is being performed by Drainage District 6 for its regional detention pond.

The Board then reviewed a letter proposed to be forwarded to two residents whose properties will be affected by the proposed box culvert. There was discussion of the text of the letter, and it was noted that the letter should be revised to make clear that the Board's comments relate only to the District and not to any other utilities. Upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to approve the letter as modified to the two residents. Upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve the engineer's report as presented.

10. Jim Holcomb presented ~~an engineer's~~ ^{the developer's} report. There are 229 homes under construction in the District. There have been 290 sales in the District for the year-to-date. The builders have been notified of the District's tax rate reduction and the reduction by Conroe I.S.D., as well. Mr. Holcomb stated that an access easement is being negotiated for permanent access to the District's wastewater treatment plant. The homeowners association is reviewing its budget, and the cost of electric power for street lights is at issue. There was discussion, and it was mentioned that information is needed with regard to the District's electric power renewals, both for District facilities and street lights for the HOA.

Jim Holcomb noted that a plan will be available for the Kroger center within a month. As to the issue of school zoning, the issue relates to a new elementary school in Spring Trails and relates to students now at Ford and Houser Elementary Schools. The zoning will not affect Kaufman Elementary School. There was discussion of continued growth in Imperial Oaks and areas being developed adjacent to the District. It was mentioned that another elementary school will be needed in the area in the future.

11. The Board considered a request for reimbursement of impact fees paid for Imperial Lakes, Section One. Herman Little advised the Board that after last month's meeting, he had prepared and forwarded a memorandum to the directors with supporting materials for the Board's reference in considering this request.

Randy Rothrock addressed the Board and stated that he is opposed to the reimbursement. Mr. Rothrock stated that if the Board is legally obligated to make the payment, then there would be no objection, but Mr. Rothrock stated that he has a problem with what Herman Little put in the package to the directors. Mr. Rothrock referred to a TCEQ rule that

relates to payment of impact fees. Mr. Rothrock stated that Drainage District 6 has no mandatory impact fee. Mr. Rothrock stated that the rule states that impact fees must be mandatory in order to be reimbursed by a district. Mr. Rothrock stated that the DD6 drainage plan does not make impact fee payments mandatory. The drainage plan requires that a developer either pay impact fees or provide onsite detention. Mr. Rothrock stated his opinion that payment of the impact fee by the District is not required.

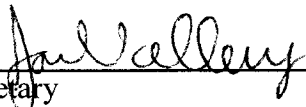
Herman Little addressed the Board and stated that Mr. Rothrock is mistaken. The Drainage District 6 impact fees are required for development within its watershed. The impact fees were adopted by Drainage District 6 to provide a system of payments by developers for construction of capital improvements that are needed by Drainage District 6 to provide outfall drainage for land within the watershed. The impact fees were adopted to provide adequate drainage capacity in the Drainage District 6 system for new development without overloading the existing Drainage District 6 system and to avoid possibly increasing the risk of flooding.

Director Smith stated that he felt that Drainage District 6 had considered the matter previously and that the payment was denied. Herman Little stated that the payment that was requested by the developer from Drainage District 6 was related to development of a different subdivision, the Enclave of Imperial Oaks, and not Imperial Lakes, Section One which is the subject of the request before the Board.

Lorene Roy addressed the Board and stated that if Drainage District 6 had not adopted impact fees, there would not be enough drainage capacity in the area. There was further discussion, and Director Agans stated that in reviewing the TCEQ rule, he notices that the rules say a District "may" make a reimbursement. Director Agans stated that if the District owes the payment, then that will be done. The contract should be reviewed, and if an independent attorney confirms the contract, then it will be satisfactory. Herman Little addressed the Board and stated that the District and the developer are parties to a contract in which the District has agreed to reimburse the developer for all costs of development of water, sewer and drainage facilities incurred in connection with development of sections within the District, including Imperial Lakes, Section One. The contract creates a legal duty by the District to take all actions necessary to make the reimbursement, and this means that an application for TCEQ approval will be required. The TCEQ rule establishes terms by which the TCEQ will review applications of this kind. The materials that had been provided to the directors include a copy of the developer reimbursement contract, the proposed impact fees contract with Drainage District 6 and other materials. The District has sufficient surplus funds from the Series 2006A Bond Issue to pay the amount owed to the developer, and surplus funds will still be remaining. There was further discussion of the request and of the District's contract with the developer. Director Venema then made a motion to proceed with the reimbursement as requested. Director Smith seconded the motion. There followed additional discussion of the District's legal obligation to the developer, and of issues discussed at the meeting. Upon a call for a vote, the motion passed three in favor with Director Vallery voting nay. Director Agans stated that he wants unity among the Board members, but it does not mean that everyone will always agree on every point. Director Smith

stated that the Board will not always have unity on every question that comes before the Board.

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


Secretary