

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
January 8, 2007

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on January 8, 2007, 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
Duane Burrell, Director

and the following absent:

None

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

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

2. The Chair announced that the Board will consider the agenda items for the developer's report and a Resolution Authorizing a Request for Use of Surplus Funds out of order.

3. Jim Holcomb presented a developer's report. The development of Water Plant No. 1 in MUD 99 is proceeding toward completion. Mr. Holcomb will be developing Montgomery County MUD No. 115 to the east and northeast of the District, and Northridge Forest Drive will be built as the initial access to MUD 115. The developer will be requesting an emergency interconnect agreement between MUD 115 and the District to provide an additional source of water in the event of an emergency for the benefit of both districts. MUD 115 will pay the cost of making the interconnect, and it will be recommended that the connection be un-metered. This will save costs for both districts. The operators of both districts will estimate water used through the interconnect, and this can be accomplished without difficulty. The primary water supply for MUD 115 will be through sharing a water supply system with MUD 99, and the sanitary sewer systems of the two districts will be shared, as well.

Jim Holcomb reported that during construction of the Kroger center, a new fence will be built along the rear of 15 residential lots adjoining the property. The fence will be 8 feet high and will be fencecrete in a harvest gold color. The fence will provide more height than existing fences and will be a solid fence. Retail space of 23,000 square feet plus the Kroger store is expected to be complete by August, 2007. Interest has been expressed in leasing space in the

retail center. Aldine Westfield Road at Rayford Road has been paved, and the county inspection is anticipated soon. Mr. Holcomb met with the county commissioner concerning the Rayford Road project, and it appears that the railroad crossing and pipeline crossings may delay that project.

An environmental report has been prepared in draft form with regard to water quality issues in the District and issues relating to the Charlie Burch site. Water quality was analyzed in five houses in the Section Five area and in the MUD 99 well, and all tests had perfect results with no contamination. The report indicates that the District's Well No. 1 is at least 4,000 feet from the site and has 100 feet of clay cover above the aquifer from which the District's water is pumped. Well No. 2 is almost 5,000 feet east of the site and also has a heavy clay cover.

342 new home purchases were closed during 2006, and Mr. Holcomb estimates additional value of \$60 million will be added for 2006. Imperial Oaks is the No. 10 or 11 most active subdivision in Houston area. In response to a question from the audience, Mr. Holcomb stated that the completion date of the Rayford Road project is not known because the schedule has been changed several times. A rough estimate is that the work will start in June or July of 2007, and there would be an 18-month construction period. In response to a question by Director Vallery, there was discussion of the schedule for drilling a well in MUD 115. Herman Little noted that the water systems in MUD 99 and MUD 115 will be shared, and initial phases of development in both districts will be served from the well in MUD 99. The well in MUD 115 will be constructed in the future and will become a part of the central water supply system that serves both districts.

4. The Board reviewed a Resolution Authorizing Request for Use of Surplus Funds. The application will include funding for the storm sewer project currently under construction to serve Imperial Oaks, Section One and the Kroger center. The project also will include funds for the second part of the storm sewer project from Imperial Oaks west. The application will include reimbursement of impact fees previously approved by the Board and will provide for the purchase of water supply capacity in the MUD 99 well. Upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to adopt the Resolution Authorizing Request for Use of Surplus Funds, which Resolution is attached to the minutes.

5. There was further discussion of the proposed interconnect agreement with Montgomery County MUD No. 115. Upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to approve an interconnect with MUD 115.

6. Vickey Sullivan presented a tax assessor/collector's report. 2006 taxes are 13% collected. The 2006 certified assessed valuation stands at \$407.5 million. 2005 taxes are 99.8% collected. Ms. Sullivan noted that several checks are being presented for refunds resulting from late exemptions granted by Montgomery Central Appraisal District. After discussion, upon motion by Director Burrell, seconded by Director Vallery, the Board voted unanimously to approve the tax assessor/collector's report as presented.

7. The Board considered an Order Reaffirming Adoption of Residence Homestead Exemption. It was mentioned that for many years the District has granted a 10% homestead exemption applicable to all homestead in the District. Upon motion by Director

Burrell, seconded by Director Venema, the Board voted unanimously to adopt the Order Reaffirming Adoption of Residence Homestead Exemption, which Order is attached to the minutes.

8. The Board reviewed an Order Reaffirming Adoption of Residence Homestead Exemption for Persons Age 65 and Older and Disabled Persons. It was mentioned that the homestead exemption for persons 65 and older and disabled persons has been \$10,000 in the past. Vickey Sullivan addressed the Board and stated that she had discussed the matter with the District's financial advisor, and it would be feasible for the District to increase the exemption by \$10,000 or \$20,000 without a noticeable effect on the tax levy or the tax rate. It was mentioned that a \$30,000 exemption for persons 65 and older and disabled persons would be a very generous exemption and would reflect the Board's concern for the taxpayers also qualify for the exemption. After discussion, upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to adopt the Order Adopting Residence Homestead Exemption of \$30,000 for Persons Age 65 and Older and Disabled Persons.

9. The Board reviewed an Order Engaging Delinquent Tax Attorneys and Levying Additional Penalty for Delinquent Taxes. After discussion, upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to adopt the Order attached to the minutes.

10. Mike Williams presented an operator's report. The District had revenues from utility service of \$141,356 and total revenues of \$173,209. The District accounted for 95% of water produced. 16 water leaks were repaired. Ten bacteriological samples were taken, and all were satisfactory. 30 taps were made during the month, bringing the total to 331 for the year-to-date. The District now has 3,575 connections. The wastewater treatment plant operated properly, and there were no permit violations. The plant operated at 60% of permitted capacity. The water test results were received and provided to Berg Oliver for the environmental report.

Mike Williams presented a list of six accounts proposed to be written off as uncollectible. The amount of the uncollectible accounts is \$411.18. There has been a problem with grease buildup in sanitary sewer lines. It is very costly to clean the lift station and to clear stoppages from sewer lines, and Mike Williams recommended that the Board approve a pamphlet that could be mailed to District customers concerning the problems associated with grease in the sanitary sewer system. After discussion, upon motion by Director Venema, seconded by Director Vallery, the Board voted unanimously to authorize mailing the pamphlet to the District's customers. Director Venema noted that in addition to damage caused by pigs in the community, there is now a problem with turkeys. There was a broken globe on the light at the Imperial Oaks Park. A new cover is needed for the light. After discussion, upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve the operator's report as presented, and the Board approved writing off the delinquent accounts as recommended by the operator.

11. The Chair called for customer inquiries, and there was discussion of the District's fire hydrants and concerns about fire hydrants that may not be operative. Mike Williams stated that the District has an annual program to inspect and maintain all fire hydrants in the District. This will include repainting fire hydrants, when necessary.

There was discussion of the District's delinquent tax collection agreement and the need for information to be provided to the community about delinquent tax collections.

12. A resident of the District inquired as to the policy for refunding the \$40 security deposit. There was discussion, and it was mentioned that the District cannot maintain records for all customers for the purpose of refunding deposits. The deposit is always returned to the customer upon termination of the service at that account.

13. 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 \$1,813,718.47. The capital projects fund balance is \$2,130,137.31. The general fund balance is \$575,893.41, and a transfer check of \$172,536.59 will be added at this meeting. For six months of the fiscal year-to-date, the District had net revenues greater than expenses of \$50,036.59. 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.

14. Sergeant Jeff Brown presented a law enforcement report. The officers made 31 alarm calls during the month. There were two assaults, two burglaries of habitations, one vehicle burglary, five criminal mischief charges and 22 disturbances. The officers made 1,384 MUD checks and investigated one misdemeanor theft. 505 traffic contacts were made, and one DWI arrest was made. There were 287 community contacts that involved non-criminal matters. There were 340 total calls. Four misdemeanor arrests were made. There was discussion, and it was mentioned that the Board will be holding a special meeting on Monday, January 29, 2007 to consider proposals for supplemental law enforcement services that have been requested from the City of Oak Ridge North, the Montgomery County Sheriff and the Montgomery County Precinct Three Constable. The meeting will be held at 7:00 p.m.

15. James Light presented an engineer's report. The booster pump was reinstalled, but it is still making noise. The engineers will meet again with the contractor to discuss possible action. There are no plans yet for the Rayford Road improvements. The project is expected to start in the summer, 2007. Robinson Road is still being delayed because of problems in relocating utility lines. Director Agans inquired concerning information on the Robinson Road alignment and requested that the information be provided to VanMor Properties for distribution to the community.

James Light reported that the Section One drainage improvements are underway, and Pay Application No. 2 in the amount of \$328,239.46 was received. The engineer has recommended payment of the pay application. After discussion, upon motion by Director Venema, seconded by Director Smith, the Board voted unanimously to approve the pay application for the Section One drainage improvements. James Light reported that he had been contacted concerning a request for out-of-district sanitary sewer service for a development in Spring Hills, Section Three. The development would involve a 25,000 square foot retail center, which would have five equivalent single-family connections. There was discussion, and it was mentioned that the property would not be in the District and would not pay taxes to the District. Upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to decline the request for out-of-district service.

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


Secretary