

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
May 12, 2008

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on May 12, 2008, 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 Vickey Sullivan, Bill Russell, Jason Hajduk, Mike Williams, John Montgomery, Frank Moore, 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. It was mentioned that the Board of Directors will conduct a special meeting on Friday, May 16, 2008 at 6:00 p.m. to canvas returns of the director's election. 20 provisional ballots were received during the election, and the Board must wait for a determination by the County Voter Registrar as to the validity of the provisional ballots before canvassing returns.

2. The Board reviewed minutes of the meeting of April 14, 2008. Upon motion by Director Vallery, seconded by Director Venema, the Board voted unanimously to approve the minutes as presented.

3. Vickey Sullivan presented a tax assessor/collector's report. The District's taxes for 2007 are 96.3% collected. The Board reviewed the report and the list of checks presented for refund of overpayments and the results of late granted exemptions. After discussion, upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to approve the tax assessor/collector's report as presented.

4. Mike Williams presented an operator's report. The District received total revenues of \$191,536.37 during the month. The District has 3,736 occupied connections and 31 vacant connections. Ten bacteriological samples were taken, and all were satisfactory. Nine water leaks were repaired during the month. Six taps were made during the month, bringing the total to 12 for the year-to-date.

The wastewater treatment plant operated properly without permit violations. The plant operated at 71% of permitted flow. Mr. Williams presented a list of four delinquent

accounts totaling \$232.76 with a recommendation that the accounts be written off as uncollectible. All four customers have moved away from the District, and the security deposits have been applied.

Mike Williams reported that the meter at Well No. 2 went out, and because there have been numerous problems with the meter, the operator recommended that the meter be replaced. It would take approximately two weeks to repair the existing meter. After discussion, upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to approve replacement of the meter at Well No. 2. Upon motion by Director Venema, seconded by Director Vallery, the Board voted unanimously to approve the write-off of delinquent accounts and the operator's report as presented.

John Montgomery presented a report on activities of the South Montgomery County Storm Water Coalition. Mr. Montgomery represented the District in a meeting with representatives of all five municipal utility districts who are members of the Coalition. The districts will be revising their rate orders regarding storm water regulations and established penalties and fines for violations. The software for the Storm Water Management Program has been loaded on the operator's computer. The District's 280 storm drainage inlets are reflected on the program. Montgomery County Drainage District No. 6 will be monitoring two major outfalls from the area, and if any water quality problems arise, Drainage District 6 will be contacting the district from which the storm water flow is being received. It was mentioned that Drainage District 6 has developed a brochure for distribution to the community. 13,000 copies will be distributed within the Coalition's area. The District has received its share of brochures that will be mailed to each customer in the District. This activity will promote public awareness of storm water quality issues and is an initial step in compliance with the new permit. It is anticipated that districts will be marking all drainage inlets with a common marker indicating the importance of storm water quality and prevention of pollution discharges.

5. Mike Williams presented a report on Imperial Oaks Park. 14 reservations were made for use of the pavilion, and 12 were made for the ball fields. Flowers were planted in the park. Mr. Williams reported that it is necessary to replace a volley ball net and to restore the backboard at the basketball court. Also, each of the ball fields should be numbered for better regulation of use and reservations. The soccer nets will be replaced, also. After discussion, upon motion by Director Vallery, seconded by Director Venema, the Board voted unanimously to approve the proposal for replacement of volley ball nets, restoration of the backboard and numbering of baseball fields as recommended by the operator. Also, it was noted that the yellow ropes around the volley ball field are not secured and need to be removed or replaced.

6. The Board recognized Andrew Hampton, a boy scout who is proposing to perform a community service project for his Eagle Scout requirements. Mr. Hampton stated that he is willing to construct a bench adjacent to one of the soccer fields. The costs of materials are estimated to be approximately \$80, and Mr. Hampton stated a willingness to construct the bench at a location that is approved by the District. Jason Hajduk advised the Board that the pipeline company has said there is no problem with the proposal, but the pipeline company will want an agreement to be signed by the Board granting authorization. After discussion, upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to authorize preparation of an agreement for approval by the pipeline company with regard to the placement of a bench at the soccer field. Director Vallery advised Mr. Hampton that he would like to help with costs of purchasing materials for the project.

Bob Garza addressed the Board and stated that he resides in the District on Nanton Drive, and in recent heavy rainfalls, water has come up to the house very near the vents along the foundation. Mr. Garza is very concerned about the storm sewers and their lack of capacity to remove water. Herman Little addressed the Board and stated that the District has been working on a project for construction of a supplemental storm sewer that will receive flows from Calmar, Nanton and other areas west of Imperial Oaks Boulevard to relieve the flooding problem. The District is acquiring easements from two property owners for installation of a segment of the storm sewer, and the storm sewer will be connected to an existing storm sewer on the east side of Imperial Oaks Boulevard that was constructed by a developer for the District.

Jeff Sorrells addressed the Board and expressed congratulations to the winners in the directors election. Mr. Sorrells stated that he regretted that a group advocating candidates attacked the personalities of incumbents during the election. The community should be able to make a decision on candidates based upon qualifications rather than upon who can complain the loudest. Mr. Sorrells stated that he was concerned that candidates were elected who have not attended board meetings but who expressed statements about double taxation and other actions by the Board of Directors. Mr. Sorrells stated his opinion that the Board of Directors will need to work together to look out for the interests of the community. Mr. Sorrells also stated concern about the mandate to reduce groundwater consumption by 30% and to have effective law enforcement and trash collection in the District. The issues are not just about money, but also about service provided by the District. It will not be possible to cut charges to the customers and still provide the same services. The District's mandate to reduce groundwater usage will not be cheap, and it may be necessary to increase the maintenance tax in the future to meet those requirements. Mr. Sorrells stated his hope that the five directors will use all of their resources to work together for the best interests of the District.

A resident of the District expressed concern about the location of the polling place and inadequate space for voting on election day and stated that the District should have more people to work in the election. Also, the District ran out of ballots at 5:45 on election day. Herman Little addressed the Board and stated that the District did not run out of ballots. Voting was accomplished by electronic voting equipment, and the only ballots that were required were for provisional voters. The District run out of combination forms that serve as a record of voters names and addresses in the election. The District did obtained additional forms, and there was no interruption in voting.

7. The Chair then announced that the Board will conduct a hearing on violations of District rules and/or destruction or misuse of District property. The Board will consider imposition of civil penalties, as necessary.

Mike Williams addressed the Board and reported that in the past month he had been called concerning a man raking leaves into a storm drain. Residents on the street had reported this activity, and one resident filmed the activity with a video camera. Herman Little advised the Board a letter had been sent to David Weidner inviting him to address the Board about this incident. Also, a resident of the District had called the attorney and stated that residents are concerned about possible retribution if the names of citizens who reported the incident are reported. This is not the first time that a resident of the District has raked leaves or other materials into storm sewers, and it is a violation of District rules and laws of State of Texas. Director Venema stated that he would like to see the video tape before making a decision on the matter. The District should make a strong effort to provide community education about

storm sewers and the importance of keeping them free of grass clippings and pine straw. The District could use a note in the water bill and place an item on the website. Also, information could be provided on the POA newsletter. Director Vallery stated that he also would like to see the video, but filling the drain with leaves is not an appropriate action. Upon motion by Director Vallery, seconded by Director Venema, the Board voted unanimously to table the matter until the video tape can be observed and possibly give another opportunity for the citizen to attend the meeting. John Montgomery addressed the Board and stated that it would be helpful to remove leaves and debris from storm sewers when events like this occur. Upon motion by Director Smith, seconded by Director Vallery, the Board voted unanimously to authorize the operator to clean the storm sewer and storm drain at the location of the incident.

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 \$2,294,928.40. The capital projects fund balance is \$1,120,897.39. The general fund balance will stand at \$1,041,857.89 after deposit of a transfer check at this meeting. The District has net revenues of \$414,293.55 for eleven months of the current fiscal year. The Board reviewed the report and a series of checks presented for payment of current bills. After discussion, upon motion by Director Venema, seconded by Director Vallery, the Board voted unanimously to approve the bookkeeper's report and authorized payment of bills listed thereon.

9. Bill Russell presented a proposed budget for the fiscal year ending May 31, 2009. It is expected that income will increase by \$160,000 as a result of increased taxable values and maintenance tax revenues. Expenses for utilities are based upon the current contract for electric power. Interest revenue has been reduced. It is expected that sludge hauling expense will be increasing with higher fuel costs, and garbage collection fees have been increased by \$10,000, again because of higher fuel costs. The Board reviewed the proposed budget, and it was noted that the budget anticipates revenues over expenses of only \$3,037 for the year. It was mentioned that additional changes in the budget can be made with further experience in revenues and expenses. Upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to approve the budget as presented.

The Board reviewed correspondence from Republic Waste Services regarding a fuel surcharge for garbage collection services. Upon motion duly made, seconded and unanimously carried, the Board approved the fuel surcharge as requested and as provided in the contract.

10. Mike McCall addressed the Board and requested an opportunity to serve as the District's auditor for the fiscal year ending May 31, 2008. Mr. McCall stated that he had mailed a letter to the directors regarding new auditing standards that involve audit risk assessments. These new requirements follow the Sarbanes Oxley legislation involving public companies. The new auditing standards define what auditors are required to do. The auditor will now be required to study the systems of internal controls within the offices of all consultants that handle District funds and accounts. The requirement will dictate that auditors will visit the office locations of each consultant and observe procedures to formulate an opinion about the effectiveness of the procedures for internal controls. The auditor's fees will be increased by an estimated 14%. Under the new procedure the auditor will be minimizing tests of financial transactions but instead will be documenting internal controls based upon the auditor's investigations. Also, the auditor will be submitting a series of questions to the directors and consultants with regard to allegations of fraud. The estimated fee for the engagement is \$16,000.

The audit will be performed according to the TCEQ's financial management guide and will comply with requirements of GASB 34 as well as all statements of auditing standards. After discussion, upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to engage McCall Gibson & Company as the District's auditors for the fiscal year ending May 31, 2008.

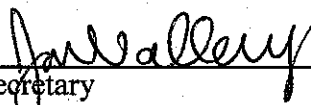
11. Jason Hajduk presented an engineer's report. Drainage District 10 will be resolving a problem with drainage at Imperial Oaks Park, Section Nine. Water Plant No. 1 was inspected, and no problems were identified. Design of the new clarifier for the wastewater treatment plant is underway. The EPA and TCEQ are discussing additional limits on bacteria in wastewater effluent discharges, and although the District's present permit will be okay until 2013, additional changes in the treatment process and plant configuration may be required in the future. No action is required now. Upon motion duly made, seconded and unanimously carried, the Board approved the engineer's report as presented.

12. Herman Little reported that no action is required on the Application for Release of Funds from Escrow. The District will wait until approved plans are available for the second clarifier at the wastewater treatment plant. No developer report was presented. The Chair called for Director comments.

13. There was discussion of the director's election and fees to be paid to the election officials. Upon motion by Director Vallery, seconded by Director Agans, the Board voted unanimously to authorize payment of \$15 per hour to the officials who worked in the May 10, 2008 director's election and early voting.

It was mentioned that recycling materials have not been picked up in Section Five on the last two collection days. Herman Little will contact Republic Waste Services to obtain a report and explanation for the Board.

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


Secretary