

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

June 23, 2008

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on June 23, 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:

Mr. Jon Vallery, President
Mr. Frank Moore, Vice President
Mr. Charles Saxe, Secretary
Mr. Michael Smith, Assistant Secretary
Mr. Danny E. Agans

and the following absent:

None

Also present were Vickey Sullivan, Kenneth Byrd, J.R. Moore, Jr., Kay Brouse, and 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. Director Vallery announced that the purpose of the meeting is to receive proposals for tax assessing and collection services from J.R. Moore and Kenneth Byrd. Director Vallery stated that it was not clear at the last meeting that a decision would be needed by tonight's meeting, but the schedule does require a decision at this meeting.

2. J.R. Moore addressed the Board and presented a proposal for services as the District's tax assessor/collector. Mr. Moore confirmed that he is not related to Director Frank Moore, and Director Moore confirmed that is the case.

J.R. Moore provided information on his background and experience. He has served as the Montgomery County Tax Assessor Collector for 21 years. Previously, the budget for the tax office was higher than the cost of collections, but the county does not need to make a profit on tax assessing and collections services, so changes were made to eliminate many unnecessary costs. J.R. Moore now collects taxes for 72 jurisdictions, of which 58 levy taxes, including Montgomery County. Delinquent taxes are still collected for other jurisdictions that no longer levy. The tax office has been rated No. 1 in efficient operations in the county.

J.R. Moore then described services his office provides to taxing jurisdictions, including assistance with tax rates that are set by September 1 of each year. Tax collections are deposited promptly to jurisdictions, so jurisdictions can use their tax proceeds right away. The tax assessor will publish tax rate information and will provide all collection services including current and delinquent taxes and all reports required by state law for a sum of \$477.00 for the

year. This is an estimate, and the actual amount will be recalculated following activity in August of the year.

In response to a question by the Board, Mr. Moore stated that he can produce reports for the District from any data that are in the system. Director Agans inquired as to when notices of delinquent taxes are issued. Mr. Moore stated that when taxes become delinquent on February 1 of each year, delinquent statements are automatically generated. Additional delinquent statements are issued with regard to the additional penalties that become effective on July 1 of each year. Taxpayers are given the opportunity to make payments by credit cards and to make payments over the internet. In response to a question by Director Saxe, Mr. Moore stated that any charges associated with credit cards and internet payments are paid by the customer and not by the taxing jurisdiction.

Mr. Moore stated that he uses a system of collections retaining 2% of collections and 5% of collections during the year to retain funds from which taxpayer refunds may be made. The District may use any bank of its choice to serve as the tax depository. J.R. Moore stated that he has known Herman Little since he came into office, but it is unfortunate that Mr. Little is not informed about his office's activities as indicated by a recent letter issued by Mr. Little. In response to a question by Herman Little, J.R. Moore stated that he was referring to a letter entitled Upsides/Downsides dated May 7, 2007. Herman Little stated that he did not prepare the letter and was not responsible for any content of the letter. Mr. Moore apologized for the misunderstanding. Director Vallery confirmed that the letter had not been prepared by the attorney.

Mr. Moore then gave a point by point response to items mentioned in the May 7, 2007 letter. The county uses the services of the Linebarger, Goggan, Blair & Sampson, L.L.P. for collection of delinquent taxes. The attorneys are not the tax assessor's attorneys, but they represent the taxing jurisdictions. With assistance from Mr. Little's office, the tax assessor will not need to take action with regard to truth-in-taxation issues. All collections of penalty and interest are paid to the jurisdictions. Taxpayer refunds are handled as consolidated refunds and are approved by the county. Refunds are not submitted for action by the jurisdictions. Attorney fees that are collected go directly to the attorneys. In response to a question by the Board, Mr. Moore stated that he will provide one copy of the monthly report to the District. In response to a question by Director Vallery, Mr. Moore stated that people who have problems with their tax payments are handled by the tax office. It is not necessary for taxpayers to come to the District Board. After further discussion, Mr. Moore expressed appreciation for the opportunity to make a presentation to the Board.

3. Kenneth Byrd addressed the Board and presented a proposal for tax assessing and collection services. Mr. Byrd stated that he provides the same services that Mr. Moore has described. J.R. Moore does an excellent job in tax collections for the county and other jurisdictions. Mr. Byrd stated that the \$11,000 amount paid to Mr. Little's firm was paid by the delinquent taxpayers and not by the District.

Mr. Byrd stated that J.R. Moore has adopted an excellent system for collection of taxes, and Mr. Byrd's office cannot compete with the County Tax Office on price. A substantial difference between the two offices is that all costs of operating the tax office are covered by the county's budget. All county taxpayers are paying for the tax assessor/collector's services. Mr. Byrd's office provides all of the services that are provided by the county. The same computer

system is used, the same procedures are used for collection of penalty and interest, and payments may be made by credit cards and over the internet in the same way as had been described. Mr. Byrd stated that his office actually provides more services to taxpayers because representatives of the tax office attend each monthly meeting. Mr. Byrd stated, however, that no tax assessor provides better services than J. R. Moore, but all taxpayers do not talk to Mr. Moore when they have problems.

Mr. Byrd stated that if he were sitting on the Board and heard the presentations, he would vote to accept J.R. Moore's proposal because of the price differences. Mr. Byrd stated that there will be some additional expenses in communicating with Mr. Moore's office, and the Board will be giving up some authority to deal with specific taxpayer issues because they will be handled by the larger system. There are some drawbacks to using the county tax assessor collector, but the drawbacks do not offset the difference in fees. Mr. Byrd stated that his fees are fair and reasonable, but his proposal would be to provide services for the same fees as charged in the past. Mr. Byrd is in business and the cost of operating the business must be covered.

In response to a question by Director Smith, J.R. Moore stated that he cannot attend every board meeting. He does not attend board meetings except at the time of assessment of taxes. Deputies are available from the tax office who can attend meetings, if necessary. Mr. Moore stated that new board members usually come to the tax office to learn the procedures of tax assessing and collections, but this should not be necessary because the District's attorney is well familiar with the services.

Mr. Moore then stated that it is very important for the District to adopt the tax rate on a schedule that is used by the county, so the District's taxes would be included on the same statement with the county and other jurisdictions. If the District misses the county's schedule for setting its tax rate, then the charge would be approximately \$4.00 per account for the tax assessor's services. The appraisal roll should be issued by the appraisal district by July 25, and information will be provided to the District immediately with regard to truth in taxation and effective tax rate matters. The tax assessor will provide information to the District about tax levies in the previous year, and if the District wishes to provide information for schedules A & B, the tax office will provide calculations for debt service and M & O tax rates. The District will need to publish a notice of average homestead taxes paid last year and in the current year, and taxes must not exceed 8% above the prior year's taxes, or hearings would be possible. The tax assessor cannot include on the county tax bill a tax rate that would have a tax increase of more than 8%.

Mr. Moore stated that when tax refunds are required, payments are from current collections. Refunds are prorated among all taxing jurisdictions if the amounts are less than \$500, and if greater than \$500, then refunds require approval by the jurisdictions. In response to a question by Director Agans, Mr. Moore stated that the tax office does send a monthly collection report. The report includes information on delinquent accounts, but only the balances of delinquent taxes are shown. If a jurisdiction wishes to see a list of delinquent accounts, that can be provided with 30 days notice. The tax office takes care of all taxpayer complaints. Director Vallery stated that he had talked to Dan Cox at Conroe I.S.D., and Mr. Cox stated that the school District is very satisfied with tax collection services provided by the county tax assessor/collector.

Sharon Blackmore addressed the Board and stated that she has resided in the District since 1990, and she worked for Oak Ridge MUD before the MUD was taken over by the city. Ms. Blackmore worked very closely with J.R. Moore, and when she received the letter, she was very concerned about misrepresentations in the letter. The MUD had two bond elections and had two bond issues, and J.R. Moore led the board through the procedures and was very knowledgeable. He explained everything very well, and he helped work through the merger with the city. In response to a question, Ms. Blackmore stated that she was referring to the Upsides/Downsides letter.

Charlie Venema addressed the Board and stated that he had no doubt that J.R. Moore will provide good services to the District, but under the current system, if a resident comes and needs a payment plan, the Board can refer the taxpayer to the tax assessor/collector who is right there in the meeting. Mr. Venema stated that he was very happy that the tax assessor/collector had initiated communications about increasing homestead exemptions in previous tax years. In response to a question by Mr. Venema, J.R. Moore stated that he would expect the Board to initiate discussions about tax exemptions, but the tax office will provide information and support when such matters are considered. Mr. Moore stated that the tax office is responsible as an overseer for the tax collection process.

Director Vallery stated that it will be the Board's responsibility to take care of services provided to the community. The five directors will have the responsibility of serving the community. Discussion Agans stated that there are a lot of things that will not be done by the county if a change is made. J.R. Moore stated that the tax office forwards notices from the Central Appraisal District as to actions needed during the year. Information is provided to the District, and it is not necessary for the tax assessor collector to come out and remind the District.


There was discussion of a letter that had been circulated in the community recently, and Charlie Venema stated that he had written a letter and distributed it to residents because of his concerns about possible loss of services if the tax assessor/collector responsibilities are changed. There was further discussion of tax rates and exemptions, and J.R. Moore further explained the procedures followed by his office in representing taxing jurisdictions.

Randy Rothrock addressed the Board and stated that J.R. Moore already takes care of all the District's taxpayers in his role as county tax assessor/collector and as DD6 tax assessor/collector. The system is already working well for the other jurisdictions. Lorene Roy addressed the Board and stated that an important issue is whether there will be a single person on the Board who will be the point person on the Board who will pay attention to tax issues. This would be like the District's law enforcement liaison. Ms. Roy inquired as to whether the Board will designate a point person. Director Vallery stated that the Board can take that matter into consideration at a future meeting. There was further discussion, and upon motion by Director Moore, seconded by Director Saxe, the Board voted four in favor and none against the motion to approve the proposal submitted by J.R. Moore for services as tax assessor/collector for the District to commence on July 1, 2008. Director Agans abstained.

J.R. Moore expressed appreciation for the Board's consideration and stated that he will be providing a list of documents and information that will be required to establish the District's tax collections system. The letter will be sent to the District's attorney. It was mentioned that the District should consider the proposed 2008 tax rate as soon as possible after

receiving the certified appraisal roll, which should occur on July 25, 2008. The Board will discuss the tax rate and make a decision on the proposed tax rate at a meeting, and a second meeting will be required for the actual vote to implement the tax rate decision. A notice of the proposed tax rate must be published in a local newspaper at least seven days before the meeting at which a vote is taken to implement the tax rate. It was mentioned that the Board will discuss a calendar for tax rate actions at the meeting in July.

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


Secretary

7/14/08