

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
July 14, 2008

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on July 14, 2008, at 312 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, Constable Tim Holifield, Mike Williams, Andrew Hampton, Charlie Venema, Bill Russell, James Hajduk, 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 meetings held on June 9, 2008 and June 23, 2008 were presented and reviewed. The Board requested corrections of minutes of both meetings, and upon motion by Director Agans, seconded by Director Saxe, the Board voted unanimously to approve minutes of both meetings, as corrected.

2. Vickey Sullivan presented a tax assessor/collector's report. 2007 taxes are 97.9% collected. After discussion, upon motion by Director Smith, seconded by Director Agans, the Board voted unanimously to approve the tax assessor/collector's report as presented.

3. Constable Tim Holifield presented a law enforcement report, together with a report and statistics regarding closed cases. There were two recent fires in the District, and although there were two officers on duty at the time, they were involved in responding to other calls and were not able to observe the incidents. Some time ago, the Board authorized the constable to use officers on an overtime basis to fill time slots when there are vacancies or officers are not available. No overtime has been used for patrol in the District until last week. Constable Holifield stated that he had worked patrol shifts himself to help fill in vacant spots in Imperial Oaks.

Director Vallery stated that deputies had responded promptly to a burglary and theft in the District, and a District resident wrote a letter of appreciation to the constable. The property taken in the theft was recovered. In response to a question by the Board, Constable

Holifield stated that there are no suspects yet on the two fires, but one may have been a bonfire that just got out of control. Both fires occurred during daylight hours, one between 1:00 p.m. and 2:00 p.m., and the other between 7:00 and 8:00 p.m. Both fires damaged facilities at Imperial Oaks Park, and extensive damage occurred. The constable will be using the Crime Stoppers Program to solicit assistance from members of the community. There are several approaches that can be taken by Crime Stoppers, and one is oriented towards children and young people. There was discussion of the District's program of offering rewards for information leading to arrest for persons responsible for damage to property, and Constable Holifield advised the Board that a rewards program is very desirable, but the constable requested that the District not publicize the rewards program at this time to avoid confusion with the Crime Stoppers activity. There was further discussion, and Constable Holifield departed from the meeting.

4. Mike Williams presented an operator's report. The District had revenues of \$197,679.93 during the month. The operator repaired 18 leaks in the water system. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly at 72% of permitted flow, and there were no permit violations. Mike Williams presented a list of delinquent accounts that are uncollectible totaling \$320.92 and requested that the Board authorize writing off the uncollectible accounts. After discussion, upon motion duly made, seconded and unanimously carried, the Board authorized writing off the delinquent accounts on the list as recommended by the operator. Upon motion duly made, seconded and unanimously carried, the Board approved the operator's report as presented.

5. Mike Williams presented a report on Imperial Oaks Parks. The operator cut down two dead trees on park and wetlands areas. The operator replaced light bulbs at the pavilion. On July 4, 2008 there was a fire at Imperial Oaks Park, and again on July 12, 2008 there was another fire. The operator obtained bids for repairs, and the estimated cost of repairs of both locations is \$11,500. There was discussion of a possible claim under the District's insurance policy. The Board requested that the claim not be filed until the insurance company has had an opportunity to review the situation. Mike Williams reported that there was graffiti on concrete at the ball fields, and the graffiti was removed. The operator replaced a broken sprinkler head on the ball fields.

It was mentioned that the management company for the property owners association had contracted for electrical repairs at the POA facilities during the month. The contractor inadvertently repaired other facilities that are owned by the District. The management company has requested that the Board authorize payment of \$170 to cover the costs of repairs of District facilities. Upon motion by Director Agans, seconded by Director Moore, the Board voted unanimously to approve payment as requested. There was further discussion of the locations damaged by fires, and the Board requested that barriers or other protective measures be installed to prevent possible injuries to persons using the park. It was mentioned that there is a large pine tree where one of the fires occurred, and the tree may be in jeopardy because of fire damage.

6. Andrew Hampton addressed the Board and stated that he has a new proposal for a community service project to meet requirements of his Eagle Scout program. Andrew advised the Board that he proposes to construct eight distance markers around the trail at Imperial Oaks Park. The markers will be on metal tee posts. The markers will be painted this week. A green background will be used with black letters and numbers. There was discussion

of the location of the posts, and Andrew stated that the markers could be installed outside the path of mowers that are used along the trail, a distance of two to three feet from the edge of trail. There was discussion, and upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve the proposal by Andrew Hampton for installation of distance markers on the trail at Imperial Oaks Park, and the Board authorized installation of the markers as proposed. There was further discussion. Charlie Venema recommended that white letters be used on the signs for the markers. They will be easier to read, and will be similar to other signs in Imperial Oaks. After discussion, upon motion by Director Vallery, seconded by Director Smith, the Board voted unanimously to approve lettering on the distance markers to be in white. A resident of the District reported that there are dead trees in an easement in Imperial Oaks Park, Section. After discussion, it was concluded that the trees are on POA property.

7. 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 \$2,327,352.94. The capital projects fund balance is \$1,124,769.64. The District is considering payment of bills totaling \$269,091.88 plus expenses of \$32,517.54, and after payment of bills and deposit of a transfer check, the general fund balance will stand at \$969,012.42. Mr. Russell recommended that the Board close the account at Wood Forest Bank and that the Board continue to maintain banking relationships with Texas State Bank and Amegy Bank. After discussion, upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to authorize closing the account at Wood Forest Bank. Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve the bookkeeper's report and authorized payment of bills listed thereon.

8. Jason Hajduk presented an engineer's report. Design is underway for the additional clarifier at the wastewater treatment plant. There was discussion of the schedule for design and construction of the plant. Director Saxe stated that the engineer should be looking at more duct work for handling bar screen materials. At the present time the materials are being placed into bags. Director Saxe suggested that a skidder could be used to receive the materials. Jason Hajduk will look into the proposal and stated that it may be possible to utilize used facilities at plant. There was discussion, and upon motion by Director Saxe, seconded by Director Smith, the Board voted unanimously to authorize the engineer to work with Mike Williams and to obtain estimates for facilities for handling bar screen materials, including the costs of collection of screenings. The engineer will obtain cost estimates before proceeding with any additional work.

9. Herman Little addressed the Board and described the agreement for storm sewer easements that had been presented at the previous meeting. Herman Little described terms and conditions of the proposed agreement that are intended to provide maximum protection to properties on the two lots that will be affected by the storm sewer project. An easement of 5.14 feet in width will be required from Lot 39, and an easement 14.87 feet in width will be required from Lot 40. The agreement will provide for protection of trees on the property, and there was discussion of the criteria for protection of trees close to the easement area but not within it. It was decided that the agreement should describe trees within 10 feet of the center line of the easement that will be subject to replacement by the District if harm is caused. There was further discussion of the proposed easements, and upon motion by Director Agans, seconded by Director Moore, the Board voted unanimously to authorize completion of the proposed agreement for storm sewer easement for presentation to the property owners.

10. Herman Little advised the Board concerning the South Montgomery County Storm Water Coalition. The District agreed to participate in the Coalition along with Montgomery County Drainage District No. 6 and three other nearby municipal utility districts. A new interlocal agreement has been presented by Drainage District 6 to confirm the responsibilities that will be shared by all parties in carrying out the Storm Water Management Program and in filing reports with TCEQ as required by the state permit. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to authorize execution of the Interlocal Agreement for the South Montgomery County Storm Water Coalition as presented.

11. It was mentioned that the Board previously approved and signed an agreement for tax assessing and collection services by J.R. Moore, Jr. Herman Little then described the schedule for Board consideration of the 2008 tax rate. Because the District's taxes will appear on the county tax statement, it will be necessary for the Board to conclude action on the tax rate prior to September 1, 2008. It is proposed that the Board consider the proposed tax rate at the meeting on August 11, 2008 with recommendations by the District's financial advisor. When the tax rate is approved, a notice can be published as required by law, and the Board may conduct a special meeting on August 25, 2008 to take final action on the tax rate.

Bill Russell addressed the Board and requested authorization to establish an additional bank account for deposit of tax revenues forwarded by the county tax assessor/collector. The amount deposited will be split out between the debt service fund and the general fund. Mr. Russell also advised the Board that a revision of the contract for bookkeeping services will be required because additional services will be required in the bookkeeper's office to handle funds forwarded by the tax assessor/collector. Approximately 6 hours per month of additional work will be needed at a cost of \$50 per hour. Mr. Russell advised the Board that he is familiar with the process because of his work for Montgomery County Drainage District No. 10 that involves the same procedures. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to authorize the bookkeeper to establish a new bank account as recommended.

12. There was discussion of the District's policy for payment of director fees and reimbursement of expenses. Director Vallery stated that the District's Code of Ethics requires directors to submit a verified, itemized expense report for reimbursements. The State Comptroller can review the District's policy at no cost and will make recommendations to the Board, if necessary. Director Vallery stated that he has learned a great deal about the District's policies and understands that directors are not to be paid for reviewing minutes of meetings. Directors must do substantial work to warrant being paid. The maximum payment for a day of service is \$150, but actions taken by directors may not be worth \$150 if only five minutes is needed. Director Vallery stated that has requested less compensation for doing work for the District when it did not appear to be equivalent to a full day. The directors should be willing to give something back to the community while serving on the Board. Each of the Directors gives up a great deal of time to serve as a director.

Director Saxe expressed agreement that it would be good for the Comptroller to review the District's policies. Director Saxe stated that the District should have descriptive references for services service provided during the month to support payment of the per diems. Director Vallery suggested that the Directors could place a value beside each item for payment

by the District. Randy Rothrock addressed the Board and stated that he still has an outstanding unresolved complaint with the TCEQ. The public should be able to go to the District's records and find out why expenses and fees have paid. Mr. Rothrock stated that prior to January, the District's performance was poor to abysmal. The District paid a director for expenses of \$237 without back up information. Nothing was provided to support that payment. Also, a payment of \$236 was made for phone charges, and no backup data was provided. Mr. Rothrock stated that all directors should start evaluating the amounts that they are asking the taxpayers to pay, and they should be more responsible about how they charge the District.

In response to a question by the Board, Bill Russell stated that no District with which he is familiar has individual directors setting different rates for compensation. Some districts do establish guidelines for payment of director fees, but none have a variable schedule. It would be very difficult for the bookkeeper's office to keep track of director compensation if payments are made at different rates. There was further discussion, and it was suggested that the matter be tabled until additional information could be provided to the Board. Director Moore stated that he has served on a committee of a non-profit organization for quite some time, and he receives \$150 per meeting. Director Moore stated he sees no need to table action on the matter and believes that the situation should be left alone. Director Moore stated that if expenses are submitted for reimbursement, then there should be supporting documentation for those expenses.

Herman Little addressed the Board and recommended that the Board adopt a resolution clarifying the district's policy on reimbursement of director expenses. There was further discussion, and the Board declined to take action on the policy for payment of director fees and reimbursement of expenses.

13. It was mentioned that the Board should authorize a letter to the District's customers concerning the new tax assessor/collector. The letter should inform senior citizens that there will be no effect on their homestead exemptions because of the change. The letter should explain the tax assessor/collector's services and mention the fact that there will be a single tax statement for all taxing jurisdictions in the county. In response to a question by the Board, Lonnie Wright stated that there would be a charge of \$0.10 per copy for copying, folding and inserting a letter into a District bill. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to authorize the District's attorney to write a letter on behalf of the Board of Directors to the District's taxpayers informing them of the new tax assessor/collector and services that will be provided and to have it mailed to the taxpayers by the District operator.

14. Director Vallery described activities of an organization known as stopthetoxicwells.com and noted that the organization is asking for a resolution of support from organizations in Montgomery County who oppose the injection of wastes into the ground. Other injection wells have failed, and other injection wells have expanded their operations up to ten times more than their original permit amounts. It was mentioned that the organization is attempting to protect our groundwater and drinking water resources. The well is directly upstream from the District's water supply. No tests have been made as to what will be put into the ground, and the applicants have said they don't know what materials would be injected. Director Smith stated that he opposes the proposal for injection wells, but he does not want to spend any District money for that purpose. In response to a question by Charlie Venema, Herman Little advised the Board that it would be lawful for the District to expend funds for

protection of the water quality in the area and the District's water supply. There was further discussion, and Director Vallery requested that a resolution be presented for approval by the Board at the next meeting.

15. The Board reviewed correspondence from Texas State Bank regarding a change in the bank's corporate structure and proposed changes in the custodian bank used by the depository bank. The District maintains a depository pledge agreement with Texas State Bank, and the change in custodian could have an effect on the District's security for deposits greater than FDIC insurance coverage. The District has been asked to acknowledge receipt of the letter, and the letter contains assurances from Texas State Bank that all District funds will be secured as required by the Texas Public Funds Investment Act and the District's investment policy. Upon motion duly made, seconded and unanimously carried, the Board approved the request for acknowledgement of the notification of safekeeping of custodian change as requested.

16. There was discussion of the Republic Waste Services flyer for recycling. The Board had requested changes in the text, and upon motion duly made, seconded and unanimously carried, the Board approved the flyer with changed text as approved at this meeting. The Board noted that Republic Waste Services has promised to provide reports on participation in recycling in Imperial Oaks, and the Board confirmed that a report should be provided by Republic Waste on recycling participation.

It was mentioned that an aerial photograph of the District has been left in the meeting room. After discussion, Mike Williams agreed to have the aerial photographed framed to be on display in the meeting room.

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



Secretary