

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
August 11, 2008

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on August 11, 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:

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

and the following absent:

None

Also present were Bill Russell, Lonnie Wright, Mike Williams, Drew Masterson, Jason Hajduk, Tim Holifield, Deputy Stephen Sprague, 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 introduced Leonard Guerrero, a Boy Scout leader in the community.

2. The Board reviewed minutes of July 14, 2008, and upon motion by Director Agans, seconded by Director Smith, the Board voted unanimously to approve the minutes as presented. Mr. Guerrero is accompanied by two Boy Scouts who are working towards their Eagle Scout qualifications.

3. A tax assessor/collector's report was not available for the meeting. Herman Little advised the Board that a tax assessor/collector's report will be forwarded by J.R. Moore's office each month, and the Board will have copies of the report for review at each meeting.

4. Constable Tim Holifield addressed the Board and introduced Deputy Stephen Sprague, the deputy who will be attending the next meeting to present the law enforcement report. Constable Holifield reported that information has been developed from juveniles in the community concerning the two cases of arson that occurred last month. There is one suspect, who is a juvenile. There was a bank robbery at the Kroger on Rayford Road on Monday of last week. On Tuesday a suspect was identified, and six witnesses identified the suspect in a line up. An arrest was made in Harris County of Jamal Muller, a former resident of

New Orleans. Constable Holifield reported that there are six officers on duty in the District at this time. In response to a question by Director Vallery, Constable Holifield reported that there were several break-ins and car burglaries, but there are no suspects at this time. The report indicates one robbery, one aggravated assault, four burglaries of habitations, twelve thefts, two arson events, four accidents, seven criminal mischief acts, five misdemeanor arrests, one family violence, three intoxicated persons and one DWI. There was discussion, and the Board expressed appreciation for the report.

5. Mike Williams presented an operator's report. The District collected revenues of \$240,220.94 for service provided during the month. There are 3,740 connections in the District. There are 39 vacant homes. The District pumped 56 million gallons of water during the month. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly without violations at 66% of permitted flow. No taps were made during the month. Mr. Williams presented a list of delinquent accounts that are considered uncollectible in the total amount of \$186.40. Upon motion duly made, seconded and unanimously carried, the Board approved writing off the uncollectible accounts.

The TCEQ inspected the water supply facilities and water plants. Two minor issues were identified, but the District still retains a Superior Rating on its water system.

At 2214 Pincher Creek a customer trimmed trees and threw all the tree trimmings over the fence into the drainage easement. Mr. Williams recommended that a letter be written to the customer requiring that the materials be cleaned up. Director Saxe suggested that a phone call be made before a letter is written. A door hanger can be placed indicating the District's requirements. Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to authorize a letter to be written at 2214 Pincher Creek if the customer does not respond to the operator's request for cleaning up materials that were dumped in the easement.

Republic Waste Services sent the recycling flyers. The operator already had the envelopes stuffed with the monthly bill, so the recycling flyers will be sent next month.

Mike Williams reported that because of the extremely high water consumption, signs were placed indicating the voluntary stage of the Drought Contingency Plan. The signs have been up for two weeks, and water consumption is much lower now. Eight of the ten signs are gone, but the community response has been very good. On one occasion, the operator opened the connection with Montgomery County MUD 99, and water was received from MUD 99. The wells were running at 90% of capacity for a week. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the operator's report as presented.

Mike Williams presented a report on the Imperial Oaks Park. There were 11 requests for use of the pavilion, and two requests for the ball fields during the month. The operator pressure washed the pavilion. There was discussion of vandalism that occurred at the park outlook where fire was started. The operator contacted the insurance agent, and the insurance agent suggested that claims be filed for both incidents because the arsons occurred on two different days. Mike Williams put up barricades with no trespassing signs around the damaged facilities. Director Vallery suggested that the directors go examine the two locations in question to determine what corrective action will be needed. Mike Williams reported that

regular mowing and clean up was done at the parks, and weed killer was installed. The operator replaced broke sprinkler heads at several locations. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to authorize the operator to perform repairs, as necessary.

6. Drew Masterson addressed the Board and presented a report on the District's proposed debt service tax rate for 2008. Mr. Masterson presented a cash flow schedule that reflects the effects of a reduction in the debt service tax rate of \$0.04. The tax rate will be \$0.52, and at 99% of collections, the tax rate will provide coverage for the debt service requirements over the life of the bonds. There was discussion of the anticipated reduction in the debt service fund balance of \$70,000. Mr. Masterson reported that 51% coverage in the debt service fund is very good. There was discussion of other alternatives. The TCEQ expects districts to maintain at least 25% coverage in the debt service fund at all times. The tax rate is being discussed without anticipating any growth, and the District is in a strong financial position. Director Saxe inquired concerning the effects of leaving the tax rate at \$0.56 and using the additional funds to reduce bonded indebtedness. Drew Masterson stated that the District should have level debt service requirements, and it would be very difficult to accomplish that goal. The debt service rate proposal is based upon no growth, and it works very well. The District is able to pass on a savings to taxpayers for the second year in a row. The District experienced an increase in taxable value of approximately \$40 million during the year. There was discussion of the District's maintenance tax rate. The recommendation is that the maintenance tax rate be left at the same rate. This will result in a 6.2% overall tax rate reduction for the District. After discussion, upon motion by Director Agans, seconded by Director Saxe, the Board voted unanimously to approve the 2008 rate of \$0.52 for debt service and \$0.082 for maintenance and operations, for a total tax rate of \$0.602 per \$100 assessed valuation. The Board further to authorize publication of a notice of hearing for the tax rate to be held at 7:00 p.m. on August 25, 2008.

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 \$2,329,468. The capital projects fund is \$1,126,673.49. The general fund balance will be \$926,921 after deposit of a transfer check of \$238,791.66. The Board is considering checks totaling \$266,345.83 for payment of current bills. Bill Russell stated that in the future, it is expected that the District will have fewer electric bills, possibly as few as two bills. One would be for District facilities, and the other would be for street lights. Three checks have been prepared for escheat of funds to the State of Texas in the amount of \$126.97.

The Board reviewed a budget comparison report. It was noted that the garbage collection expense is higher than anticipated because of the fuel surcharge. The fuel surcharge is allowed in the contract with Republic Waste Services. Mr. Russell stated that it may be possible in the coming year to reimburse the general fund by using surplus bond funds for payment of costs of repairs of maintenance of the District that have been financed with bonds in the past. After discussion, upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve the bookkeeper's report and to authorize payment of bills listed thereon.

8. Bill Russell presented a proposed amendment to the contract for booking services. Additional tasks will be required in the bookkeeper's office to handle tax-related

activity. A new tax account has been opened, and the county tax office will be forwarding deposits into the new tax account. There will be additional activity required by the bookkeeper to account for tax revenues and to allocate the revenues between debt service and maintenance and operations. It is expected that the additional work will involve four employees in the office, and the additional charge will be \$350 per month. There was discussion, and upon motion by Director Smith, seconded by Director Agans, the Board voted unanimously to approve and authorizing signing an amendment to the contract for bookkeeping services with Myrtle Cruz Incorporated, as presented.

9. Jason Hajduk presented an engineer's report. Design is underway for the second clarifier. The engineers are looking into alternatives regarding the headworks and bar screens at the wastewater treatment plant as requested by Director Saxe. It may be necessary to add a driveway. Director Saxe explained his proposal that additional pipe be installed and that a skidder be used to receive materials from the bar screen. The skidder could then be moved to the dumpster with a fork lift or a front end loader or a back hoe. This would be needed every two to three weeks. There was discussion of equipment that is available at the wastewater treatment plant. It was decided that Jason Hajduk and Mike Williams would review the treatment plant and procedures that are used for removal of materials from the bar screen for possible modifications, as necessary.

Jason Hajduk reported that the schedule for the clarifier project would be for construction to commence in March, 2009 to June, 2009. The discharge permit application is pending at the TCEQ, and TCEQ has been in communications with the EPA concerning possible permits limits for bacteria. Such limits could be added to the permit at any time in the future. If the permit was modified to include bacteria limits, the wastewater treatment plant operations would be affected, and the cost of operations would increase. In response to a question by the Board, Mr. Hajduk stated that the additional cost is not known yet. Lonnie Wright stated that additional tests required under bacteria limits would be \$900 per test.

Mr. Hajduk reported that an additional drainage easement will be required for the relief storm sewer to serve Imperial Oaks, Sections One and Two. Mr. Hajduk requested Board authorization to prepare the additional easement. After discussion, upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to authorize the engineer to prepare the additional easement and to approve the engineer's report as presented.

10. The Board reviewed an Addendum to the Storm Water Management Program that has been filed by the District and other districts as members of the South Montgomery County Storm Water Coalition. The TCEQ staff reviewed the initial permit application and had comments that necessitated a response by Coalition members. After discussion, upon motion by Director Moore, seconded by Director Agans, the Board voted unanimously to approve the Addendum and to authorize signing the Addendum to the Storm Water Management Program as presented.

11. There was discussion of the recycling program in the District. Republic Waste Services has reported that on July 25, 2008, 1,491 customers used recycling. The following week, 1,553 used recycling. This provides an average of 42% participation, and is considered to be very good in areas where recycling is offered. There was discussion of how

community participation could be increased. It was suggested that an item in the POA newsletter be published to encourage greater participation. If participation goes over 50%, then the Board would be able to request an adjustment in the rates charged by Republic Services. It was mentioned that the District's contract with Republic Waste Services expires in April, 2009.

12. There was a discussion of correspondence received from the Texas Commission on Environmental Quality concerning a citizen complaint involving the District's procedures for payment of Director fees of office and expense reimbursements. Director Vallery reported that he and the District's attorney and auditor will be traveling to Austin for a meeting with the TCEQ on Thursday, August 13, 2008 to discuss the letter and to obtain clarification on the TCEQ's objectives.

Randy Rothrock addressed the Board and stated that things have changed in the District, but he is planning to be in Austin at the meeting on the 14th. Mr. Rothrock stated that he does not know if the Board members understand the purpose of the meeting. Director Vallery stated that the TCEQ received the complaint and sent a letter requesting information about the District's policies and procedures. The District sent a response to the first letter, and now, new questions have been asked. Director Vallery proposed that the meeting be held to discuss the matter with the TCEQ staff before another response is made. Director Vallery stated that he had called the TCEQ staff concerning the feasibility of having a meeting, and the staff stated that it would be very helpful to have the meeting. Director Vallery stated that although there have been discussions by the Board about director fees and expenses, there are still questions on both sides of the issue. The meeting would be the best way to resolve questions on both sides.

Herman Little then distributed a copy of the proposed agenda for the meeting with the TCEQ. Director Saxe stated that he wants more information about what's going to be presented at the meeting. Director Saxe stated that he would like to have some input on what is going to be said. The District doesn't have the documents that have been requested by TCEQ. There was discussion, and Director Vallery stated that the District wants customers to know what the Board is spending money on. It was mentioned that the Board should have an agenda item for the next meeting regarding payment of director fees and expense reimbursements.

Herman Little stated that he had had a conversation with Randy Rothrock about what might be accomplished. It appears that Mr. Rothrock's goals are the same as those of the Board. Everyone wants the procedures to be changed, so it will be possible for a member of the community to know the purpose for which a check is issued for payment of a director fee or an expense reimbursement. Herman Little distributed copies of a proposed form for application for payment of director fees and expense reimbursements. The format is very similar to that used by the District in the past, but it makes clear that each statement made by the Director is made under oath, and it requires specific information as to the dates and purposes of all services provided for the District and the purposes for expenses were incurred on behalf of the District. There was discussion, and Randy Rothrock stated that he has had concerns about the District's payments and he has said please stop doing this, but nothing has been done. The TCEQ wants black and white numbers that can be understood by everyone. Mr. Rothrock stated that his complaint was filed in February, and he talked to the TCEQ investigator, Diego Abrego, about the complaint and the TCEQ is series about the circumstances. They want numbers and documents. They have been told things that weren't true, and they want dates and times for actions and expenses by the

Directors. Mr. Rothrock stated that he had reviewed payment records for four or five years, and the same amounts were shown for a director's phone expense every month. Mr. Rothrock stated that he does not want to come out against anyone, and he is willing to straighten it out. Mr. Rothrock stated that telling stories to the TCEQ won't work. He just wants the truth to be told.

Director Vallery stated that he originally brought Randy's attention to the proposed meeting. He then talked to the TCEQ staff and asked if the meeting would be helpful, and she said that it would be very helpful. Director Vallery stated that the District is making changes, but the changes are going slowly. Director Vallery stated that he personally had approved some of the payments that are objected to by Mr. Rothrock, but the purpose now is to obtain credibility for the District's directors.

Jim Nichols addressed the Board and stated that it's time to move forward. He agrees with the original concerns expressed by Mr. Rothrock, but the District is making changes, and the District should go forward. It is not necessary to attack anyone in order to bring about changes.

It was mentioned that the first response made to the TCEQ tried to give reasons for the things that had happened. Director Saxe stated that the Board should not re-live history. The District should simply let the TCEQ know what the Board is doing, and ask the TCEQ if they have any suggestions about what the Board should do. After discussion, the Board agreed that the subject of the Director fees and expenses would be on the agenda for the meeting on August 25, 2008.

13. Director Vallery stated that the Board has appointed a law enforcement liaison in the past, and he has served as the liaison. Director Vallery stated that he would like to continue to serve as the liaison. Director Smith stated that Director Vallery is wearing a lot of hats. Director Smith would also like to serve as liaison.

14. The Board reviewed a Resolution of Support for Stopthetoxicwells.com. Upon motion by Director Agans, seconded by Director Smith, the Board voted unanimously to approve the Resolution as presented.

15. There was further discussion of the law enforcement liaison. Director Agans nominated Mike Smith as the liaison. There was discussion, the Board voted unanimously to appoint Mike Smith to serve as the law enforcement liaison for the Board.

16. There was discussion of the District's web site. Director Vallery stated that only ten persons visited the site during the previous month. There was discussion, and it was mentioned that someone should be responsible for uploading documents for the District. This would include minutes, law enforcement reports and other documents. It was mentioned that a web site management consultant could be engaged for \$100 per month. Director Smith suggested that each Board member review the web site and make a list of subjects that should be included on the web site. The Board can then seek bids for web site services. It was mentioned that storm water information should be included. Director Saxe stated that Mike Williams' wife is keeping books for the recreation center and he has been floored at the compensation being paid. The District should ask Mike's wife if she could handle the web site. It would be better to

use someone who is already familiar with the system. The web site host has been Charlie Venema, and there are eight months remaining on the contract. Mike Smith stated that he would be willing to check on procedures for changing hosting privileges for the web site.

17. The Chair called for director comments. It was mentioned that the letter to District customers involving the change to services by J.R. Moore was very good.

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



Secretary