

## RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors  
May 11, 2009

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on May 11, 2009, at 312 Spring Hill Drive, Suite 100, West Entrance, 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, Director

and the following absent:

None

Also present were Bill Russell, Mike Williams, John Montgomery, Mike McCall, David Merritt, Sherri Greenwood, Jim Holcomb, Jason Hajduk, Lorene Roy, Sandi Garidel, Sergeant Frank Mitchell, 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 the meeting of April 13, 2009 were presented and reviewed. Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve the minutes as presented.

2. Director Vallery advised the Board that the agenda will be amended to consider the Agreements for Storm Sewer Easement with FTR First Texas Realty, Ltd. and Barbara J. Millspaugh for action, as necessary. Herman Little then advised the Board that the District has received a signed Storm Sewer Easement from FTR First Texas Realty, Ltd., and the District has forwarded the payment of \$5,000 consideration to the grantor. The District also has received a signed Agreement for Storm Sewer Easement and a signed Easement from Barbara J. Millspaugh.

Barbara Millspaugh addressed the Board and reported that there had been a misunderstanding about the District's request for easement. Ms. Millspaugh reported that she had been contacted by Scott Escher in 2006 concerning drainage problems. There had been a meeting with an engineer from the District about drainage issues, but there was nothing the engineer could do to resolve concerns by the property owners. In the summer of 2007 Ms. Millspaugh believed that the matter had been placed on hold, but in August, 2008 Ms. Millspaugh was contacted by the District's attorney concerning the easement, but nothing ever happened. In a recent heavy rainfall, Ms. Millspaugh observed water flowing from property on the other side of Mr. Escher's residence. Ms. Millspaugh stated that she had requested a second

option for the storm sewer, but none was ever provided. Ms. Millspaugh stated that she had made seven calls to Mr. Little in February, and she was informed that Mr. Escher had signed the easement agreement in January. Mr. Little refused to have any meetings to discuss the issues with her or people in the neighborhood. Ms. Millspaugh stated that not one time did anyone from the Board contact her, but on April 19 of this year Ms. Millspaugh filled out the paperwork and had it notarized and sent it in to the District. Ms. Millspaugh stated that she had asked that the storm sewer line be put on the other side of the Escher house. Under the current plan the pipe will go under her house.

There followed a discussion of the Agreement for Storm Sewer Easement, and Herman Little advised Ms. Millspaugh that the District will comply with all requirements of the Storm Sewer Agreement and will take careful precautions to avoid damage to her property or to the Escher property. Ms. Millspaugh requested a timeline on the project, and it was mentioned that the work could begin within 30 to 60 days, and the construction period would be three to four months.

Bob Garza addressed the Board and stated that he has lived down the street from Ms. Millspaugh since 2001, and people have been arguing with the District and the engineers about solutions to the drainage problem since that time. There was further discussion of the project that will involve construction of a relief storm sewer from Nanton Drive to a storm sewer presently located at Imperial Oaks Boulevard. After discussion, upon motion by Director Agans, seconded by Director Saxe, the Board voted unanimously to approve the Agreement for Storm Sewer Easement with Barbara J. Millspaugh as presented. Upon motion by Director Vallery, seconded by Director Moore, the Board voted unanimously to authorize delivery of \$5,000 consideration for the Storm Sewer Easement to Ms. Millspaugh, and the check was presented to Ms. Millspaugh.

3. Sergeant Frank Mitchell presented a law enforcement report. There were 10 property crimes during the month, including several thefts in the shopping center. There were 20 disturbances, 6 misdemeanor assaults and 568 total calls. There were 5 incidents involving firearms, one DWI arrest and one arrest on an outstanding warrant. Director Saxe inquired concerning use of drug dogs in the District. There has been a problem with drugs on Dorrington Estates. Sergeant Mitchell reported that several narcotics arrests have been made in the area, and the officers are working on other leads relating to narcotics activity.

Lillian Smothers addressed the Board and reported that Sergeant Mitchell had advocated for her with regard to filing a criminal complaint relating to a man impersonating a law enforcement officer. Ms. Smothers was informed that the matter could not go directly to the district attorney but would have to be presented at a grand jury, and this is not what the constable had told them. Ms. Smothers stated that she still has not received any satisfaction on her complaint, and she is going to go to the next level. Sergeant Mitchell stated that he has been a resident of the District for seven years and has worked on the contract for four years, and he suggested that if anyone in the community has problems concerning law enforcement services, they should go to the Board's representative, Director Smith, and Mr. Smith can bring the matter to the constable for action. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented.

4. It was mentioned that the District had requested qualifications of auditors to provide services to the District for the fiscal year ending May 31, 2009. Sherri Greenwood addressed the Board on behalf of BKD and reported that she is a partner in the Houston office of the firm that has 31 offices in the country. The firm presently audits more than 200 districts in the State of Texas. Ms. Greenwood stated that she has 15 years of experience with the Houston office, which specializes in water district work. Ms. Greenwood estimated that the fee for the audit would be between \$15,500 and \$16,500. In response to a question by the Board, Ms. Greenwood stated that the firm would be able to fit the District's work into their schedule if selected as the District's auditor. Ms. Greenwood then departed from the meeting.

David Merritt addressed the Board and reported that he has had 41 years in public accounting and has had his own accounting practice for 35 years. For 10 to 15 years he has specialized in water district work. There are five persons on the staff, and the firm audits approximately 50 districts at this time. Mr. Merritt reported on the procedures for conducting an audit and questionnaires that are used to obtain information from the Board and consultants. The auditor conducts a walkthrough of all consultants and requires a survey on risk assessment and control environment as to how the District monitors risks and controls risks of fraud. A principal task involves auditing transactions in the general fund and the tax fund. The debt service fund and capital projects fund are very regulated and are not subject to many issues. The auditor will issue a management letter regarding any material weaknesses in internal controls. This is the only cost effective way to perform the bookkeeping and auditing work for most water districts. Most audit reports are completed on time, but with increasing requirements for auditing standards, it is harder for everyone to complete the work on schedule. The District should receive an audit report within 120 days of the fiscal year end, and the audit report should be filed with TCEQ within 135 days. Mr. Merritt stated his estimate of fees for the audit would be between \$11,000 and \$12,000. There was discussion, and David Merritt reported that all five Houston area audit firms who provide services for water districts have worked together to prepare questions that are common to all districts. The services provided by small firms and large firms are virtually the same. There was discussion of the benefit of having new eyes on the District's books, and Mr. Merritt stated that he looks at each audit engagement with new eyes every year. After discussion, Mr. Merritt departed from the meeting.

Mike McCall addressed the Board and reported that he is the managing partner of a firm with 5 partners and 25 employees, 8 of whom are CPAs. Mr. McCall's firm audits 220 districts and 13 facilities with separate accounting requirements. Mr. McCall stated that he has had 32 years of experience working with districts and has had his own firm for 22 years. The firm's work is very focused and specialized, and all work performed by the firm is for nonprofit and governmental entities. The auditors have chosen to focus on utility districts. Mr. McCall reported that with regard to peer reviews, the TCEQ is reviewing auditors' working papers, and his firm was the first to be reviewed. The report was very good. Mr. McCall estimated that the fees for the audit would be between \$10,500 and \$12,500, which would be a reduction from last year's fees. Mr. McCall then departed from the meeting.

5. Mike Williams presented an operator's report. The District had total revenues of \$194,058.91 during the month. There are 3,755 connections, of which 3,569 are occupied residences. There are 42 vacant residences. Ten bacteriological samples were taken, and all were satisfactory. The District accounted for 95% of water produced.

The wastewater treatment plant operated properly at 79% of permitted flow. Mike Williams presented a list of delinquent accounts that are uncollectible totaling \$720.65 and requested that the Board write-off the accounts as uncollectible. Mr. Williams presented a Consumer Confidence Report for 2008 and requested that the report be on the agenda for next month's meeting for approval. It was mentioned that all test data reflected on the report have come from the TCEQ, which performs tests of the drinking water system.

Mike Williams reported that he has talked with FEMA, and the District's applications for reimbursement from Hurricane Ike are being processed and will be paid. The District received a total of 12 inches of rainfall during the recent storm event. All storm drains were full, and the operator responded to many calls during that day. Mike Williams stated that he has lived in the District for five years and observed more water coming into the plant on that day than ever before. Jason Hajduk came out and observed the situation. Water was not backed up in Imperial Oaks Park, Section Ten, however.

Ivan Campos addressed the Board and stated that he resides at 2009 Woodhue Drive, and there are only two drains on the street, and high water was a big problem. The drainage pipe appears to be too small, and Mr. Campos requested installation of storm drains with more openings. There was discussion, and Jason Hajduk agreed to look into the matter. There was a drainage study of that area in 2005. Drainage problems in Sections One and Two were investigated, and recommendations were made for drainage improvements that would have been funded by bonds, but the voters did not approve the bonds. Other streets were flooded during the recent event. Mrs. Ligate addressed the Board and stated that she had observed serious flooding problems, and there followed discussion of the magnitude of the rain and the limitations on the drainage system to accommodate such heavy rainfall in a short period of time. Upon motion by Director Agans, seconded by Director Smith, the Board voted unanimously to approve the write-off list and the operator's report as presented.

6. Mike Williams presented a report on Imperial Oaks Parks. There were 39 calls for the pavilion and 50 calls for the ball fields during the month. Regular mowing was performed, and ant bait was applied. New kiddie cushions were installed at the playgrounds. Red dirt was added at the ball fields.

7. Jim Holcomb presented a developer's report. There was flooding in many areas. Mr. Holcomb reported that the newest tenant in the Kroger Center will be Pallotta's Mexican Grill. The center is doing very good business, and a Compass Bank location will be coming, also. The Ace Hardware Store is doing very well, and Kroger is also doing very well. Mr. Holcomb reported that there has been a problem with traffic at the center with drivers cutting through the center to avoid traffic on Rayford Road. There was graffiti behind the center. The constable and sheriff's office have been very helpful. A stop light will be installed at the intersection of Wild Rose and Rayford Road.

Mr. Holcomb reported that home re-sales are still good in Imperial Oaks, and values are holding up well. Interest rates are very low, and this accounts for good activity on re-sales. Mr. Holcomb then reported on an event that will be held at Pallotta's Mexican Grill at 5:30 p.m. on Saturday, May 16, 2009. The event will be a fundraiser with a charge of \$5.00 per person for the benefit of Interfaith of The Woodlands. Mr. Holcomb reported that he is working with the YMCA concerning expansion of facilities and activities in the area.

There was discussion of the use of ball fields, and Jim Holcomb noted that there is a need for more capacity. The area of the pipeline right-of-way was deeded to the community for ball fields. The developer is reviewing a proposal for more ball fields at the intersection of Aldine Westfield and the pipeline right-of-way. It may be possible for the District to have a partnership with MUD 99 and MUD 115 and have directors from all districts work with the developers for more recreational facilities. Mr. Holcomb stated his desire to increase capacity of recreational facilities and increase the participation of other persons in the community. The county commissioner will provide some help with parking. There was discussion, and Director Saxe and Vallery agreed to work with the developer on the proposal for more recreational facilities.

8. It was mentioned that Board should engage auditors for the fiscal year ending May 31, 2009. Director Agans made a motion to engage McCall, Gibson & Company, P.L.L.C. as the District's auditors. Director Moore seconded the motion. Director Vallery stated that he had wanted to change auditors. David Merritt had a price that is lower than the others. It was mentioned that Mike McCall had lowered his estimate for the audit for this year. Director Vallery stated that there had been questions about the last audit, and this is a chance for someone new to do it. Director Saxe stated that he is all for fresh blood, but he does not know about any problems with the audit. Director Smith stated that Mr. Merritt's proposal was not complete, but McCall's proposal is spelled out in detail. Director Moore stated that he is confident that David Merritt would do a good job, but Mr. McCall also represents more than 200 districts. There was discussion about the auditor and changing consultants. In response to a question, Herman Little reported that it is not common to change consultants, but all consultant contracts can be terminated on giving thirty days written notice. Mr. Little stated that it is much less common for districts to change auditors because of the very detailed nature of the auditor's work. The audit reports are reviewed by the TCEQ staff, and it is generally not efficient to change auditors. After discussion the question was called, and the motion passed with three votes in favor of the motion, with Director Vallery voting against and Director Moore not voting.

Lorene Roy addressed the Board and suggested that the Board should pull together and work together in conducting the District's business. Director Agans stated that the meetings are the only opportunities that the Board has to work on District issues, and it is necessary to discuss issues thoroughly at the meetings.

9. There was discussion of measures for hurricane preparedness. The Board noted that Mike Williams had handled the District's operations during the hurricane, and he did a great job for the District. It is necessary to have effective communications between the operator and the Board when emergencies arise. Director Vallery inquired as to whether the operator needs any additional assistance from the Board. Everyone has an assigned task, and the only areas of concern relate to availability of fuel for generators. Also, Lift Station No. 4 is a concern. Director Vallery talked to the general manager at Kroger, and he could make a call for fuel on behalf of the District if necessary.

Jason Hajduk reported that the storage of fuel will require a double-walled tank or a containment structure. The District could use as much as 500 gallons per day. It may be possible to rent a 1,000 gallon tank, and it would be possible to have an additional 300 gallons available in a trailer mounted tank. A tank could be stored at Water Plant No. 2, and it would not have to be filled until a storm threat arises. Mike Williams advised the Board that it would be

important to have three to four days of fuel capacity on site. It was mentioned that the fuel should be clean and not mixed with any gas or water. Mike Williams reported that a tank can be cleaned for approximately \$185. There was discussion of a proposal from Sun Coast for rental of emergency fuel. Upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve a contract with Sun Coast for reservation of 1,000 gallons of fuel for a period of six months at a cost of \$200 per month with a \$150 delivery fee.

John Montgomery reported that an emergency generator that had been available has been spoken for by another municipal utility district and is probably not available now. Jason Hajduk reported that a used generator must meet all current requirements for air quality, and they are more strict than in the past. It was mentioned that the District could use surplus bond funds to purchase a generator. If the cost is greater than \$50,000, then bid documents and advertisements for bids would be required. It was mentioned that a 130 kWh generator would be needed, and one could likely be rented. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to authorize the operator and engineer to obtain at least three proposals for rental of generators for review by the Board at the next meeting.

10. 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 is \$2,399,584.91. The capital projects fund balance is \$1,140,854.44. The general fund balance is \$895,365.63 after deposit of a transfer check approved at this meeting. The tax account balance is \$20,570.85. Mr. Russell reported that 2008 taxes are 97.1% collected pursuant to a report received from the tax assessor's office. After discussion, upon motion by Director Agans, seconded by Director Smith, the Board voted unanimously to approve the bookkeeper's report and authorized payment of bills listed thereon. Upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve payment of director fees and expenses as reflected on the report.

11. The Board reviewed a draft budget for the fiscal year ending May 31, 2010. Bill Russell noted that the budget is the same as presented at the last meeting. It was suggested that the expense item for security service be changed be law enforcement service. After discussion, upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve the budget for the fiscal year ending May 31, 2010 as presented and revised.

12. Jason Hajduk presented an engineer's report. Mr. Hajduk presented a report on facilities at Water Plant No. 2. These reports are presented every three years. One repair is recommended at Water Plant No. 1. Hydro Tank No. 2 needs to be recoated on the inside and outside. The estimated cost is \$20,000, not including engineering. The work should be done within the next several years. Mike Williams recommended that the District consider the condition of the poly-tubing at the water plant also. There was discussion, and Director Saxe suggested that the engineer present a proposal for all work that is needed at the water plant and suggested that bid estimates be obtained within plus or minus 10% as the total installed cost.

Jason Hajduk reported that the project for clearing storm sewers in Imperial Oaks Park, Section Ten has been completed. The engineer and the operator will walk the storm sewer again to confirm that the work was satisfactory. On April 27, 2009 the District had 13 inches of

rain, which was more than a 100-year event. The engineers will be looking at the drainage on Woodhue. This will involve visually inspecting all inlets and manholes. Mike Williams noted that all manholes in the area were raised some time ago.

13. The Board reviewed a report by Municipal Risk Management Group, L.L.C. on Arbitrage Rebate and Yield Restriction and Rebate Analysis Procedures. The report indicates that the District is in good condition at this time.


14. There was discussion of the District's web site. The site did not include services that are provided by the District. The service now goes to the new web site. The address has been corrected. The site also includes information on the new trash collector.

15. There was discussion of letters that have been presented by the directors with regard to closure of public access to information about the directors.

16. There was discussion of drainage in the area on Stoney Plain and Pincer Creek, and the engineer confirmed that drainage in that area will be improved by the relief storm sewer serving Sections One and Two.

It was mentioned that Republic Waste Services will be picking up their recycling bins on Saturday, May 16, 2009.

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

  
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Secretary