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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
March 8, 2010

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on March 8, 2010, 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

and the following absent:

None

Also present were Mike Williams, Bill Russell, Jason Hajduk, Sergeant James Corn, Drew Masterson, Mike Dillon, and Herman I. Little, Jr.

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 February 8, 2010 were presented and reviewed. Upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the minutes as presented.

2. Sergeant James Corn presented a law enforcement report. During the month there were eight accidents, 11 disturbances, five criminal mischief incidents, two misdemeanor arrests, 92 traffic enforcement actions, and 494 calls for service. There were two family violence incidents, two firearms incidents and one arrest. There was discussion, and Sergeant Corn reported that things have been quiet in the District.

3. Drew Masterson addressed the Board and described circumstances that may permit a refinancing of certain District bonds. The municipal bond market has been improving, and interest rates are falling. In these conditions it may be possible to issue refunding bonds to borrow money at a lower interest cost to refinance bonds having higher interest rates. The Board reviewed information on an example of a refunding issue that would result in 5.25% bonds being refinanced at 4.8%. This would result in a savings of 0.7% to 3.6%. The savings would be approximately \$18,000 per year and \$152,000 over a 10-year term. The present value savings would be \$129,000. There was discussion of the procedures for issuance of refunding bonds, and Mr. Masterson stated that the savings that were described are after all expenses of the transaction have been paid. The City of Houston has guidelines applicable to the District's bonds that will require a present value savings greater than 3%. There was discussion of a possible strategy for issuance of bonds, and Mr. Masterson stated that the District should try to

achieve savings of 4% to 5%. Savings of 4% should be obtained for bonds that are callable. In response to a question by Director Saxe, Mr. Masterson stated that it would be possible for the Board to establish guidelines for a refunding, and the financial advisor could inform the Board immediately if savings can be achieved. There was discussion, and the Board expressed appreciation for the information and requested that the financial advisor return to the Board if conditions are promising for a refunding issue.

4. Mike Williams presented an operator's report. The District had revenues of \$158,879.46 for service provided during the month. There are 3,755 connections, of which 59 are vacant residences. The District accounted for 96% of water produced. Ten bacteriological samples were taken, and all were satisfactory.

The wastewater treatment plant operated properly at 78% of permitted flow, and there were no permit violations. The operator has replaced fire hydrants that had been bagged and that were not operational. Mr. Williams presented a list of delinquent accounts that are uncollectible in the amount of \$628.70 and recommended that they be written off. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the operator's report and to approve the write-off list as presented.

5. Mike Williams presented a report on the Imperial Oaks Parks and recreational facilities. There were 29 calls for the ball fields during the month. The operator did regular mowing and did striping of facilities as authorized at the last meeting. Two dead pine trees were removed. Materials were replaced where fire vandalism had occurred on the outlook. Mr. Williams requested authorization to add mulch and plant flowers in beds in District park facilities. Also, additional kiddie cushion is needed on the playground. Two sprinkler heads were repaired during the month. A bathtub was found in a wetlands area, and it will be removed.

There was discussion, and Director Saxe inquired as to whether cameras could be installed at the overlook to observe persons who are vandalizing facilities. There was discussion, and it was mentioned that cameras could be installed at a cost of \$150 to \$400 each. In response to a question by the Board, Herman Little advised the Board that use of cameras for this purpose would be appropriate as long as information obtained from the cameras related only to the park facilities and District property. After discussion, upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to authorize application of mulch and planting of flowers and repairs of sprinkler heads at a cost not to exceed \$1,600. The Board further voted unanimously to authorize purchase of cameras at a cost not to exceed \$400, and the Board confirmed that the cameras will be used only for the recording of incidents of vandalism and not for any other purpose.

6. Director Vallery reported that WCA Waste had done an analysis of recycling participation in the District, and on February 15, 791 boxes were serviced, producing 5.3 tons of material. On February 18, 768 boxes were serviced, producing 4.46 tons of material. This reflects a participation rate of 44.7%. It was mentioned that WCA Waste would like to increase participation in recycling, and the Board agreed that that would be desirable. Mike Dillon addressed the Board and stated that people in the community do not know what will be taken in recycling. It was agreed that information should be obtained from WCA concerning the recycling materials that are acceptable.

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 stands at \$2,296,825.13. The capital projects fund balance is \$1,148,486.24. The general fund balance is \$801,983.02 upon deposit of a transfer check of \$157,674.12. The tax account balance is \$9,541.50. The District has collected 95.71% of 2009 taxes. Bill Russell advised the Board that the bookkeeper will be removing a \$50 per month charge in the bookkeeper's invoice, and a \$200 credit will be issued to the District.

Bill Russell reported that John Elder would like to address the Board at the next meeting concerning the District's best alternatives for purchase of electric power. This matter will be on the agenda. After discussion, upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve the bookkeeper's report and to authorize payment of bills listed thereon. Upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve payment of director fees and expenses reflected on the report.

8. Jason Hajduk presented an engineer's report. The storm sewer contract is complete, and all punch list items have been completed. The project is not yet within the warranty period, but that will be accomplished very soon. The clarifier job is underway. The contractor found a pipe on the wastewater plant site that had not been anticipated. The pipe was connected from a manhole to the lift station. The contractor and engineers met in the field, and a new location was found for the pipe.

Mr. Hajduk presented a proposal for geotechnical services for the wastewater plant improvements by Toulney-Wong at a cost of \$8,000. After discussion, upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to authorize relocation of the pipe at the wastewater treatment plant site at a cost not to exceed \$700.

Jason Hajduk reported that the contractor at water plant no. 1 will be mobilizing when all equipment has been received. Change Order No. 1 has been presented to change the coating system to one coat of epoxy. The additional cost will be \$2,300.

Jason Hajduk reported that a long-term rehabilitation management plan is being prepared by the engineers. After discussion, upon motion made, seconded and unanimously carried, the Board approved the proposal for geotechnical testing services by Toulney-Wong at a cost of \$8,052 as recommended by the engineer. Upon motion duly made, seconded and unanimously carried, the Board approved Change Order No. 1 to the contract for work at Water Plant No. 1.

9. Herman Little addressed the Board and described correspondence received from the San Jacinto River Authority with regard to a contract for groundwater planning and alternative water supply that is proposed for the District. Herman Little described the background involving the creation of the Lone Star Groundwater Conservation District for the purpose of reducing groundwater pumpage in Montgomery County. The reduction of groundwater usage will require establishment of an alternative water supply. Over several years of planning, the San Jacinto River Authority has proposed to develop a surface water treatment plant and distribution system to provide surface water into areas of Montgomery County that have a high concentration of large volume groundwater users. There are two such areas in the

county, the City of Conroe and its surroundings and The Woodlands. The SJRA has attempted to obtain legislative authority to develop a surface water conversion system financed by groundwater pumpage fees, and public officials in Montgomery County have supported the proposed legislation, but the Texas legislature failed to enact legislation in 2007 and again in 2009.

The SJRA has proposed an alternative means of accomplishing the goal by way of a contract that would be required of all large volume water users, of which the District is one, that would establish a responsibility for SJRA to construct and operate a surface water treatment plant and distribution system that is financed by groundwater pumpage fees paid by all permitted water users in the county. The proposed contract is lengthy and detailed, but it establishes a system that would be uniform and fair for all areas of the county even though only two areas would actually be receiving surface water. The pumpage fees would be consistent throughout the county to insure that all water users are paying a fair and equivalent share. It is not known whether the District and areas east of IH-45 would be converted to surface water, but there is a possibility that surface water could be extended into the District's area in the future. Herman Little requested that the Board review the correspondence and an executive summary of the proposed contract in anticipation of the April meeting at which the contract will be presented for approval.

10. The Board reviewed a proposed response submitting missing information to TCEQ with regard to the District's Year 2 MS4 permit report. Additional information that was requested by the TCEQ has been obtained from the District and other participants in the South Montgomery County Stormwater Coalition. Upon motion made duly made, seconded and unanimously carried, the Board approved the proposed response and authorized filing the response with the TCEQ.

11. Mike Dillon advised the Board that he has seen information in the media regarding capturing rainwater and water conservation in the northeast United States. There was discussion of water conservation and the potential effects of conversion to surface water.

There was discussion of the cost of electric power for District facilities and for street lights in the community. It was mentioned that the property owners association is reviewing costs of electric power and is seeking ways to achieve additional savings.

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



Secretary