

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
April 12, 2010

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on April 12, 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, Matt Carpenter, Sergeant James Corn, Bert Keller, 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 March 8, 2010 were presented and reviewed. Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve the minutes as presented.

2. The Board reviewed an Order Declaring Unopposed Candidates Elected and Canceling Election. It was mentioned that the secretary of the board has presented a certificate indicating that none of the positions for election on May 8, 2010 were opposed. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to adopt the Order Declaring Unopposed Candidates Elected and Canceling Election, which Order is attached to the minutes.

3. Sergeant James Corn presented a law enforcement report. There were three burglaries, ten thefts, one arson, 34 four warrant attempts, nine arrests, two accidents, nine disturbances, four criminal mischief incidents, four misdemeanor arrests, two drug incidents and one firearms incident. There were 745 other calls. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented.

4. Mike Williams presented an operator's report. There are 3,760 connections and 53 vacant homes. The District accounted for 95% of water produced from the water plant. Nine leaks were repaired. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly at 71% percent of permitted flow. There were no permit violations. Five taps were made during the month, bringing the total

to five for the year-to-date. The new building at the wastewater treatment plant has been installed and is complete. It looks very good. Mr. Williams presented a list of seven delinquent accounts totaling \$699.35 and recommended that the accounts be written off as uncollectible. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the operator's report and approved the write-off list as recommended by the operator.

5. Mike Williams presented a report on the Imperial Oaks Park. Regular mowing and cleaning was accomplished. There were 32 calls for use of District facilities, seven for the pavilion, and 23 for the ball fields. Mr. Williams requested Board authorization to purchase and install sod at the ball fields. Seven pallets will be required at the ball fields and at the soccer field. There was discussion, and it was mentioned that Bermuda grass is more expensive than St. Augustine sod. Director Moore stated that Bermuda grass requires a lot more water to start. After discussion, upon motion by Director Smith, seconded by Directors Saxe, the Board voted unanimously to authorize the operator to purchase and install seven pallets of sod for the ball fields.

Mike Williams reported that a camera had been installed at the overlook, and the camera was activated on three occasions. Upon review, the operator did not observe any activity. It is likely that a bird had caused the camera to activate. Mike Williams stated that there was graffiti on a fence in the District. The operator cleaned the graffiti off. There have been requests from people who live near the ball fields to limit the time of play on the ball fields and the soccer fields. There was discussion, and Herman Little advised the Board that if people on the ball fields are playing during daylight hours, then they are not violating the District's rules.

6. Bill Russell presented a bookkeeper's report, a copy of which is attached to the minutes. Taxes for 2009 are 97.24% collected. After payment of bills at this meeting, the debt service fund balance will stand at \$2,298,827.20. The capital projects fund balance is \$775,720.26. The general fund balance is \$925,252.68. The balance will be increased by \$176,317.70 upon deposit of a transfer check, and the fund balance will be 44% of the annual budget requirements. The bookkeeper will be transferring funds to the general fund as approved by the TCEQ. \$215,000 can be transferred to the general fund. The fund balance would then be 53% of annual requirements. On the next month's agenda, there will be an item to authorize transfer of funds from capital projects to the general fund. After discussion, upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve the 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.

7. Bill Russell presented a draft budget for the fiscal year ending May 31, 2011. The Board reviewed the budget, and it was noted that the budget will be approved at the next meeting.

8. Bert Keller addressed the Board on behalf of Acclaim Energy. Mr. Keller stated that Acclaim has been reviewing electrical rates, and in July, 2008 an audit was performed and the District obtained rebates of \$13,000 to \$14,000 from the energy provider. The District entered into a three year contract with Hudson Energy at \$0.09 per kilowatt hour. Because of

changes in the market, current rates are 15% to 20% below that price now. In March and April 2009 a call went to Hudson for a possible revision of the contract for blending and extending the contract, but it would only be approved for 36 months. In March, 2010, Hudson was approached again for a blend and extend contract, and it still cannot be done for more than 36 months. That would be an increase of 21 months on the current contract. The rate would be reduced to \$0.084 per kilowatt hour. Mr. Keller stated that he believes that the market will be better in July.

Mr. Keller then described a procedure in which the District can lock in a rate called a heat rate, but fluctuations would still be possible. Bill Russell advised the Board that Legacy had suggested a 36-month term on the agreement, and the District now has a fixed rate. In response to a question, Mr. Keller stated that a heat rate allows a Board member to lock in a rate for a term, and it is possible to play the market during the contract term. There was discussion, and it was mentioned that the District would not want to play the market with public funds. Mr. Keller apologized and stated that he did not mean "play" the market, but he simply meant that the market price could be reviewed frequently, and changes could be made on a short term basis. If current rates were high, Mr. Keller would recommend a heat rate. At this time, it is recommended that the Board look at rates in September, 2010, and obtain proposals from up to nine providers.

There was discussion of the property owners association and electricity for the street lights. Mr. Keller stated that if the POA stays in the District's contract, there will be a lower cost for the community. This is because there is a consistency of load by the municipal utility district, and both organizations have the benefit of lower rates. There was discussion of the agreement with the POA, and it was mentioned that the District was able to assume responsibility for payment of streetlights because a lower rate was available consistently to the MUD. After discussion, Mr. Keller expressed appreciation for the Board's attention, and he departed from the meeting.

9. Matt Carpenter presented an engineer's report. The Phase II storm sewer project is complete, and the contractor presented Pay Application No. 3 and Final in the amount of \$7,948.42. The engineers are receiving final reports from the structural engineer concerning work done at the two residences.

The clarifier project is under way, and Pay Application No. 2 in the amount of \$12,777.20 has been presented. The contractor for the Water Plant No. 1 project is still making preparations to commence the work. The engineers are working on a long-term management plan for the District. After discussion, upon motion by Director Smith, seconded to Director Moore, the Board voted unanimously to approve the pay application to Kenneth Lamb for \$7,948.42. Upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the pay application of N & S for the clarifier project in the amount of \$12,777.20.

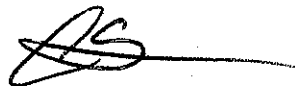
10. It was mentioned that the proposed contract with the San Jacinto River Authority is not ready for Board consideration and action. Discussions by the San Jacinto River Authority and the City of Conroe have continued, and there has been a delay in preparation of the final agreement.

11. It was mentioned that the Board had adopted an identity theft protection plan in 2009. The primary responsibility for implementation of the plan is that of the operator. There are 3,700 customers whose information is maintained by the operator, and steps are taken to protect customer information. The Board is required to review the plan each year. In response to the question by the Board, Mike Williams advised the Board that the plan is operating properly, and there are no recommendations for revision of the plan. After discussion, upon motion duly made seconded and unanimously carried the Board approved a resolution affirming review of the identity theft prevention plan, which resolution is attached to the minutes.

12. Paul Alli advised the Board that he has observed holes in the roof of the pavilion. The Board requested that Mike Williams obtain bids for repair of the roof.

Director Vallery advised the Board that he had received a customer complaint concerning WCA Waste Services. A customer complained that garbage had been picked up very later one day. Upon inquiry, it was determined that there was an unusually high volume of yard waste on that day, and that was the reason for the delay.

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



Secretary