

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
May 10, 2010

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on May 10, 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 Sergeant James Corn, Mike Williams, Bill Russell, Mike McCall, Jason Hajduk, Nick Ozuna, 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. The minutes of the meeting of April 12, 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. Sergeant James Corn presented a law enforcement report. There was one burglary of a habitation, four thefts, 14 disturbances, four criminal mischief incidents, three misdemeanor arrests, one drug involved arrest, three firearm incidents, one intoxicated person, and 190 traffic contacts. One new officer has been added to the staff. There was discussion, and upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented.

3. Mike Williams presented an operator's report. The District received revenues of \$177,164.69 for service provided during the month. There are 3,763 connections, of which 3,534 are residential connections receiving all services. There are 57 vacant connections. Ten bacteriological samples were taken, and all were satisfactory. The District accounted for 95% of water produced. Three taps were made during the month, bringing the total to eight for year-to-date. The wastewater treatment plant operated properly at 68% of permitted flow.

The operator will be installing a fire tap for the LDS Church. Mr. Williams presented a write off list of accounts that are uncollectible totaling \$109.69. Mr. Williams then presented the Consumer Confidence Report for 2009 and requested Board authorization to

submit the report to all District customers by the end of the month. There was discussion, and upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve the Consumer Confidence Report and authorized preparation of black and white copies for distribution to the District's customers. Upon motion by Director Saxe, seconded by Director Smith, the Board voted unanimously to approve the write off list as recommended by the operator.

4. There was discussion of a proposal from Sun Coast Resources for emergency power facilities. The proposal involves delivery of an emergency generator with a 1,000 gallon tank and a \$100 per month charge, plus a one-time delivery fee. After discussion, upon motion by Director Saxe, seconded by Director Smith, the Board voted unanimously to approve the proposed agreement with Sun Coast Resources for emergency power facilities as presented.

5. Mike Williams presented a report on Imperial Oaks Parks. There were 32 calls for District facilities, including ten for use of the pavilion and 20 calls for the ball fields. Two bids were received for repairs of the roof on the pavilion. E.P.G. submitted a bid of \$7,100. A second bid was received at a cost of \$8,047. There was discussion of the damaged shingles on the roof, and the Board requested that the insurance company be contacted concerning reimbursement for the repairs for damage caused by hail. After discussion, upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to authorize Mike Williams to contact the District's insurance company and to authorize the repairs by E.P.G. according to their bid if the District's insurance costs will not increase as a result of the claim. There was further discussion, and Bill Russell agreed to contact the insurance company. The District will have the work performed based upon information obtained by Mr. Russell.

Mike Williams reported that the operator installed seven pallets of sod and performed sprinkler repairs at the ball fields. An additional four or five pallets of sod are required for complete restoration of the ball fields. Mr. Williams requested authorization to pressure wash and seal the picnic tables at the park. After discussion, upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to authorize additional sod for the ball fields and to authorize pressure washing and sealing the picnic tables as requested.

6. 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 \$2,366,499.72. The capital projects fund balance is \$724,027.38. The general fund balance is \$910,108.91, and a transfer check of \$176,126.76 will be approved at this meeting. The Board reviewed a budget comparison report and noted that the District has net revenues of \$238,849.46 for eleven months of the year-to-date. Mr. Russell advised the Board that in the coming year the report will include the transfer check in the ending fund balance. 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. Upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve payment of director fees and expenses.

7. Mr. Russell advised the Board that \$223,127.81 is available for transfer from the capital projects fund to the general fund to offset repairs and maintenance expenses incurred for facilities that had been financed by District bonds. Upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve the transfer as recommended by the bookkeeper.

8. The Board reviewed a proposed budget for the fiscal year ending May 31, 2011. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the budget as presented.

9. Mike McCall addressed the Board and requested the opportunity to serve as the District's auditor for the fiscal year ending May 31, 2010. Mr. McCall advised the Board that the auditor does planning regarding fraud opportunities, and a fraud questionnaire is presented to the directors to report any knowledge or allegations of fraud, as necessary. The representation letter will include questions about fraud, and the Board is requested to think about these matters, and contact the auditor as necessary. The proposed fee is between \$10,500 and \$12,500. The fee for the last audit was \$12,000. Everything in the District's financial organization is the same, and the fee should be within the prescribed range. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to engage McCall, Gibson, Swedlund & Barfoot as the District's auditor for the fiscal year ending May 31, 2010.

10. Jason Hajduk presented an engineer's report. The relief storm sewer serving Imperial Oaks, Sections 1 and 2 is complete. The wastewater treatment plant project is going smoothly, and Pay Application No. 3 in the amount of \$48,804.55 has been presented. The water plant rehabilitation is underway. The work on the control system is on schedule and will be completed before the summer. The engineer expects a punch list on the project by mid-June.

The hydro-pneumatic tank rehabilitation project will involve recoating the outside of the tank. The cost will be \$7,000 to \$9,000. The coating has failed, and it will be pressure washed and then recoated. The recoating materials will be a combination of epoxy and polyurethane. In response to a question by Director Saxe, Jason Hajduk reported that the coating system will have a life expectancy of between 10 and 20 years, and this is the best approach for this application. This is the oldest tank on the site, and it is 20 years old. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve recoating the hydro pneumatic tank at a cost not to exceed \$9,000. Jason Hajduk reported that the engineer's observer will be onsite to check the thickness of the coating system. The long-term management rehabilitation plan is being prepared. After discussion, upon motion by Director Saxe, seconded by Director Smith, the Board voted unanimously to approve the engineer's report and to approve the payment to N&S of \$48,804.55 for Pay Application No. 3.

11. Herman Little addressed the Board and discussed a letter that had been sent to the Board concerning the attorneys' representation of Montgomery County Municipal Utility District No. 99 with regard to a proposed agreement for sharing law enforcement services. In addressing the Board on behalf of MUD 99 there is a possible conflict of interests in the

attorneys' representation of two clients involved in the same contract discussions. The joint representation of the districts would not necessarily indicate a conflict, but in the event of a conflict, or even a concern by either board about a potential conflict, the attorneys would be required to withdraw from representation of both parties in that particular matter. There was discussion, and upon motion duly made, seconded, and unanimously carried, the Board approved and authorized signing a letter consenting to the attorneys' joint representation of the districts with regard to the proposed agreement for law enforcement services.

12. Nick Ozuna addressed the Board and reported that Montgomery County MUD No. 99 has requested an opportunity to contract with Rayford Road MUD for law enforcement services. There are 241 lots in the first phase of development in MUD No. 99, and supplemental law enforcement services would be very important to the community. Approximately 200 homes are occupied. At ultimate build out, MUD No. 99 will have approximately 1,200 homes.

Mr. Ozuna reported that residents of the community have expressed concern about law enforcement services, and the community would like to participate with Rayford Road MUD in its law enforcement program. The two Districts already have a contractual relationship that resulted from MUD No. 99's temporary purchase of water from Rayford Road MUD and Rayford Road's purchase of water supply capacity in the MUD No. 99 plant.

Director Vallery stated that he feels that a decision on the request should wait until the District's new director is on the Board. The Board's concerns will be to ensure that services are not being given away and that the Rayford Road customers and taxpayers are not subsidizing the services to the other district. The charges for the service would need to be enough to be sure that no subsidy occurs. Director Vallery stated that he had talked to constable officers, and they are concerned about splitting up their responsibilities, but they are ready to respond in the event of emergencies. It was mentioned that the officers would not be patrolling for the developer's interest but would instead be patrolling for the benefit of residents of the community. Nick Ozuna advised the Board that the existing program belongs to Rayford Road MUD, and MUD No. 99 will not be trying to tell the Board how to run the program. MUD No. 99 would like to become a participant and pay its share of costs, if possible. There was discussion, and the Board agreed that the request should be on the agenda for next month's meeting.

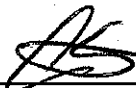
13. The Chair called for customer inquiries, and residents of the District living on Havelock Drive addressed the Board and expressed concern about traffic on Havelock Drive. The traffic is very heavy, and many vehicles do not even stop when school buses are loading. Claire Walsh stated that she has asked the constable for help, and the constable responded within five minutes, but it is hard to call the constable all the time. Motorists are using Havelock Drive as a short cut to enter the District.

Paul Alli stated that the county can bring in the speed trailer. The citizens could request that the speed limit be reduced to 20 miles an hour because of the dangerous situation. There was discussion, and residents stated that there is a need for more patrols. It was mentioned that speed bumps are not an alternative.

Herman Little stated that the District has full time supplemental law enforcement service from the Montgomery County Precinct 3 Constable, and officers are in the District at all times. Concerns about changing the speed limit should be referred to the Precinct 3 Commissioner, and the speed sign could be requested, as well. There was discussion, and the Board expressed concern about the reports by residents on Havelock Drive. Upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to authorize a request for a formal response by the constable to concerns expressed by residents at 1622, 1627 and 1631 Havelock Drive. The Board also requested that the speed trailer be placed in the community. Director Smith will pass this request on to the constable.

14. Herman Little advised the Board that the preliminary certificate of taxable value for 2010 indicates a possible decline in taxable value of 0.08% from 2009.

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


Secretary