

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

June 14, 2010

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on June- 14, 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 Paul Alli, Mike Williams, Bill Russell, Jason Hajduk, Sergeant James Corn, Sergeant Josh Hanson, 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 May 10, 2010 were presented and reviewed. Upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve the minutes as presented.

2. The Board reviewed qualifications, statements, oaths of office and disclosure statements of the newly elected directors. Herman Little advised the Board that the statements, qualifications and oaths of office are in proper legal form. Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve the qualifications, statements, oaths of office and disclosure statements of the newly elected directors as presented. Director Alli then assumed his place on the Board.

3. It was mentioned that the Board should elect officers. Upon motion duly made, seconded and unanimously carried, the Board elected the Directors to the same offices as they held in the prior year.

4. Sergeant Josh Hanson presented a law enforcement report. Sergeant Hanson is the new supervisor in Imperial Oaks. There were two aggravated assaults, ten thefts, six accidents, 17 disturbances, six criminal mischief incidents, three misdemeanor arrests, 151 traffic incidents and 518 other calls.

There was discussion of traffic problems on Havelock Drive. The officers have patrolled the Havelock area. It was mentioned that over a two-hour per, there were only two vehicles exceeding five miles over the speed limit. It was mentioned that on residential streets, vehicles may appear to be going faster than in other areas. It was mentioned that a traffic survey by the county may help the situation, and the traffic trailer, could be used as well. Claire Walsh expressed concern and stated that even five miles over the speed limit is a significant danger in a neighborhood with many children. Ms. Walsh stated that the community would like to have the speed limit reduced. Ms. Walsh stated that she talked to the engineer at the commissioner's office and was told that stop signs are only for entrances from side streets. It was mentioned that a contractor for Water Utility Services had been operating a vehicle at approximately forty-five miles per hour. There was discussion of law enforcement activities, and Ms. Walsh expressed appreciation for the response by the constables. Sergeant Hanson stated that he will obtain additional information about the area, and Herman Little recommended that the Havelock residents talk to Commissioner Chance about their concerns.

5. Mike Williams presented an operator's report. The District collected \$176,943.87 for service provided during the month. There are 3,764 connections, of which 3,547 connections are receiving all services. There are 55 vacant homes. Ten bacteriological samples were taken, and all were satisfactory. The District accounted for 99% of water produced. The wastewater treatment plant operated at 71% of permitted flow, and there were no permit violations. No taps were made during the month, and nine taps have been made for the year-to-date. Mr. Williams presented a list of four accounts that are delinquent and uncollectible because customers have moved away from the District. The accounts total \$567.35, and the operator recommended that the accounts be written off.

Mike Williams reported that the District had a serious problem with the water supply on May 22, 2010, and the District was within two hours of running out of water from the system. There was discussion of concerns about the water supply system. No action can be taken this year to relieve the problems. Mike Williams suggested that raising the elevation of the ground storage tank would provide additional capacity. In response to the question, Mr. Williams stated that the District did use the interconnect with MUD No. 99.

Director Moore inquired as to what alternatives the District may have and inquired as to whether a new well could be built. There was discussion, and it was mentioned that the District has no voted authority to issue bonds for capital improvements such as water supply facilities. Authority would be needed from the voters in a bond election. The District had bond elections on two occasions in recent years, but neither of the elections were successful. The Board expressed concern that the water situation is worse than had been known in previous years, and voters may be willing to approve bonds for water supply facilities if they know how serious the situation is. It was mentioned that the Board could call a bond election if an engineering report were prepared, and an election could be held at the November general election date. There was discussion of the wastewater treatment plant capacity, and Jason Hajduk stated that if the District adds additional water supply, it would not likely increase the flow to the wastewater treatment plant. There was discussion of alternatives to the District, and Jason Hajduk advised the Board that additional study of these alternatives would be warranted. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the write-off list as presented by the operator.

6. Mike Williams presented a report on District parks and recreational facilities. Three trees had fallen in the wetlands areas during the month, and one fell on a garage. There were nine calls for the pavilion and seven calls for the ball fields. The insurance agent confirmed that the District has a \$2,500 deductible on coverage on the pavilion. Mike Williams reported that there has been additional damage by vandals on the walkway around the wetlands lake. The operator pressure washed the picnic tables as authorized by the Board, and additional grass was planted. Mike Williams requested authorization to obtain three more pallets of grass for the area around the pavilion. Mr. Williams reported that the security camera that had been installed at the overlook was stolen and thrown into the lake. It appears that the responsible parties are coming to the overlook from the area near the Enclave. It was mentioned that a camera with a digital video recorder could be installed in a secure box at a cost of \$1,800. There was discussion, and the Board took no action on additional cameras. Upon motion by Director, Saxe, seconded by Director Moore, the Board voted unanimously to authorize purchase and installation of three additional pallets of sod as requested by the operator.

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 \$2,367,986.19. The capital projects fund balance is \$492,861.75. The general fund balance is \$1,143,473.08. The general fund balance includes the amount of the transfer check, and the balance is approximately 40% of the operating budget. The tax account balance is \$21,064.71. The District has collected 98.13% of 2009 taxes. The Board reviewed a budget comparison report and noted that for twelve months of the fiscal year the District had net revenues of \$474,380.57, of which \$331,041.43 was the amount of a transfer from the capital projects fund.

After discussion, upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve payment of bills listed on the report. Upon motion by Director Saxe, seconded by Director Smith, the Board voted unanimously to approve payment of director fees and expenses as presented.

8. It was mentioned that no information has been received on a possible refunding bond issue.

9. Jason Hajduk presented an engineer's report. Pay Application No. 4 in the amount of \$133,777.55 was received for the wastewater treatment plant project. This check was included in the checks presented in the bookkeeper's report. The water plant rehabilitation project is complete, and a final walk-through will be conducted next week.

The engineers are continuing with calculations for the long-term management plan. The draft plan would be presented to the operator for review before it is complete.

The San Jacinto River Authority is planning to implement a groundwater reduction plan to reduce Montgomery County's use of groundwater by 30% by the year 2015. There is no plan to bring surface water east of IH-45 in the initial phase of construction. The engineer will continue to look into the possibility of surface water for the District as an alternative for additional water supply capacity. The Board expressed approval for additional talks with appropriate authorities for the necessary water supply. Mr. Hajduk stated that the operator is anticipating problems with insufficient water in the coming summer months. More

storage would be a temporary solution, at best, but the District needs another well to provide a long-term solution to the problem. There was discussion, and Mr. Hajduk reported that it would require approximately one year to construct a new well.

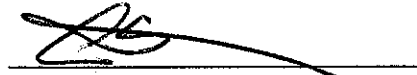
A request for service was received from Woodforest National Bank. A prior utility commitment provided capacity for the property to be used by the bank. The District authorized up to 5,040 gallons of water per day and 3,000 gallons of wastewater treatment per day. The bank proposes to split the capacity with the proposed Burger King restaurant. There was discussion, and upon motion by Director Saxe, seconded by Director Smith, the Board voted unanimously to approve the utility commitment as requested. Upon motion by Director Alli, seconded by Director Moore, the Board voted unanimously to approve the request for service to the Woodforest National Bank and Burger King as requested. Upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to authorize the District engineer to develop a plan to increase water capacity for the District with at least three options. The plan should include the location of land for additional water supply facilities, as necessary.

10. Herman Little addressed the Board and described the proposed contract for groundwater reduction planning, alternative water supply, and related goods and services with San Jacinto River Authority. The attorney described the objectives of the contract that will enable Montgomery County to meet requirements of the Lone Star Groundwater Conservation District for a reduction of groundwater pumpage. The plan will require all water customers to pay fees that will be used to finance the design and construction of a surface water treatment plant and a distribution system that will provide service to the Conroe area and to the Woodlands. All water customers in the county will pay equivalent fees whether they receive surface water or not. There will be no advantage or disadvantage to customers in the county that are affected by their location. The District will be required to pay fees to the San Jacinto River Authority to cover costs of the project, and the fees will commence in the near future. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve and authorize signing the contract for groundwater reduction planning as presented.

11. There was discussion of a request for law enforcement services by Montgomery County Municipal Utility District No. 99. The Board reviewed an outline of a proposed agreement that was presented on behalf of MUD No. 99. The fees proposed to be paid by MUD No. 99 would cover a pro rata share of the District's costs of law enforcement services and would provide 10% of additional funds to cover the District's costs of administration of the contract. There was discussion of the importance of continuing a high level of coverage within the District. It was mentioned that officers patrolling in the District will respond to emergency calls from adjoining areas including MUD No. 99. There was discussion of the District's budget for law enforcement services, and it was mentioned that the District may need to finance purchase of another vehicle for the law enforcement program if another officer is added. The total budget for law enforcement will be reviewed to ensure that the calculations take into account all expenses. There was discussion, and the Board expressed a willingness to consider a proposed Interlocal Cooperation Agreement for law enforcement services, subject to confirmation of the District's budget requirements and the calculation of the other District's share of costs.

12. The Board reviewed a report by Municipal Risk Management, Inc. and noted that reports on certain District bonds are needed. The Board reviewed engagement letters from Arbitrage Compliance Specialists, and upon motion duly made, seconded and unanimously carried, the Board approved and authorized signing the engagement letters as presented.

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


Secretary