

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
August 9, 2010

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on August 9, 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
Paul Alli, Director

and the following absent:

None.

Also present were Mike Williams, Sergeant Josh Hanson, Terry Holland, Drew Masterson, Jason Hajduk, Herman I. Little, Jr. and persons on the attached list.

1. The minutes of the meeting of July 12, 2010 were presented and reviewed. Upon motion by Director Saxe, seconded by Director Alli, the Board voted unanimously to approve the minutes as presented.

2. Sergeant Josh Hanson presented a law enforcement report. There were three accidents, 17 disturbances, seven criminal mischief incidents, two burglaries, eight thefts, three burglaries of vehicles, one family violence call, and two drug involved cases. Also, there was one firearms incident, one warrant arrest and 160 traffic stops. In response to a question by the Board, Sergeant Hanson stated that he did not know the number of citations that had been issued during the month. In response to a question, Sergeant Hanson reported that there are no officers certified for bike patrol working in the District at this time. Two officers are finishing up their training for bike patrol, however. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented.

The Board then reviewed an Interlocal Cooperation Agreement for law enforcement services with Montgomery County Municipal Utility District No. 99. Herman Little advised the Board that MUD No. 99 had approved and signed the agreement in the form requested by the Board at the last meeting. MUD No. 99's check for the initial payment will be approved at a meeting later during the month of August. There was discussion of procedures for the new law enforcement services, and upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the Interlocal Cooperation Agreement with Montgomery County Municipal Utility District No. 99 and authorized signing the agreement.

3. Mike Williams presented an operator's report. The District had revenues

of \$238,277.93 for service provided during the month. There are 3,767 connections, of which 3,559 are occupied single family residences. There are 51 vacant residences. The District accounted for 96% of water produced. 17 water leaks were repaired. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly at 75% of permitted flow. Mr. Williams presented a list of delinquent accounts that are uncollectible totaling \$274.85 and recommended that the accounts be written off. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the operator's report as presented, and the Board further authorized writing off the uncollectible account as recommended by the operator.

4. Mike Williams presented a report on the Imperial Oaks Parks. Nine dead trees were taken down in wetlands areas. There were 12 calls for the pavilion and three calls for ballfields. The roof has been replaced on the pavilion. There was vandalism at Thorsby Park. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the operator's report on Imperial Oaks Park as presented.

5. Terry Holland 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 \$2,369,755.33. The capital projects fund balance is \$322,049.87. The general fund balance is \$997,572.05. The tax account balance is \$24,532.89. Mr. Holland reported that the District has collected 98.7% of 2009 taxes. The Board then reviewed a budget comparison report, and after discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve the bookkeeper's report and to authorize payment of bills listed thereon. Upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve payment of director fees and expenses.

6. Drew Masterson addressed the Board with regard to the proposed 2010 tax rate. There has been virtually no change in taxable value, with an increase of \$2 million for the entire District. Mr. Masterson advised the Board that he is recommending the same debt service tax rate as in the previous year. The District will have level debt service payments for at least ten years. If property tax values increase, then the debt service rate could be reduced in the future. There was discussion of the recommended debt service rate. It was mentioned that a maintenance and operations tax rate of \$0.092 has been reflected in the District's budget and should be adopted. There was discussion of the schedule for future actions for the 2010 tax rate, and the Board agreed that a special meeting will be held on Monday, August 23, 2010 to conduct a public hearing on the tax rate. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve the proposed tax rate for 2010 of \$0.50 for debt service and \$0.092 for maintenance and operations, and the Board directed that a public hearing be held on the proposed tax rate, on Monday, August 23, 2010 at 7:00 p.m. at this location.

7. Jason Hajduk presented an engineer's report. The clarifier project is underway. Concrete walls have been constructed. Mechanical equipment is on order. The Water Plan No. 1 rehabilitation project is complete, and Pay Application No. 1 has been submitted in the amount of \$168,480. The engineers are continuing to work on the long-term management plan as requested by the Board.

Jason Hajduk presented a summary of costs associated with the proposed bond issue for a third water plant for the District. Total construction costs will be \$3 million, and non-construction costs will be \$0.85 million. The project will include a new Well No. 3 and a water line to Water Plant No. 2, including boring and jacking under wetlands areas and pavement. The work also will include site work and Well No. 1 rehabilitation.

There was discussion of the status of Well No. 1. The well has been in service for many years, and if there was a sudden failure, then the District would have an emergency without adequate water supply prior to construction of Well No. 3. There was discussion of the costs of repairs of a well in the event of a failure, and \$250,000 likely would not be sufficient to cover costs of a catastrophic failure. That amount would not be adequate for rehabilitation of the pump. The bond amount includes funds for a new motor at Water Plant No. 1. There was discussion, and Mr. Hajduk advised the Board that to provide additional funds for response to a catastrophic failure of a well would require an additional \$1 million of bond approval. There was discussion of the ground storage tank at Water Plant No. 1 and the feasibility of replacing the tank with a larger, taller tank. The project also includes emergency power at Well No. 3 in the form of a diesel generator. There was discussion, and Mr. Hajduk advised the Board that Well No. 3 will enable the District to meet peak demands as long as the capacity of the well upon completion is sufficient. It was mentioned that if the voters approve the proposed bond amount, the District would issue all bonds for the water well and the water plant project. There was discussion, and it was mentioned that the District presently owns 200 connections of water supply capacity in the MUD No. 99 water plant. The District has emergency interconnects with Southern Montgomery County MUD and Spring Creek Utility District, but the capacity of those two districts to supply water in an emergency is very limited, and the District should not expect to obtain assistance for other than a very short period time.

There was discussion of a recent rainfall event. On July 17, 2010 there was three to four inches of rainfall within a forty-five minute period. It is not uncommon to have water in the streets following an event of that type, but during that storm, there was no problem with flooding along Nanton Drive. The Board expressed appreciation for the successful project that relieved flooding along Nanton.

8. Drew Masterson addressed the Board with regard to a proposed bond issue. If the District issued bonds today, the District could expect to have an interest rate of 4.25%. Issuance of \$3,850,000 of bonds at 6% would require a tax increase of \$0.03. The bond amortization would be structured so the tax rate impact would be minimized in the first ten years. The District will borrow two years of interest on the bonds, and the District is required to maintain a debt service fund balance of not less than 25% of the next year's debt requirements. Capitalized interest of \$462,000 would offset approximately \$0.015 of an additional tax rate. There was discussion, and Drew Masterson advised the Board that an assumption could be made that the District will sell bonds in 2011 if the voters approve bonds at the election. There was discussion of the election date, November 2, 2010. It would be possible to issue bonds by July, 2011. In response to a question by the Board, Drew Masterson reported that he is continuing to monitor the bond market for possible refunding bond opportunities. There was discussion, and upon motion by Director Saxe, seconded by Director Alli, the Board voted unanimously to Adopt an Order Calling a Bond Election for November 2, 2010 to authorize \$3,850,000 bonds. There was further discussion, and it was mentioned that the Board will require services of four or

five qualified voters to serve as election officers. The District will need to designate polling places for early voting and election day voting and the Board may consider action on these matters at the August 23, 2010 meeting.

9. There was discussion of the District's rate order and a proposal to amend the rate order to pass on to District customers an additional groundwater pumpage fee assessed by the Lone Star Groundwater Conservation District. The District should add 5% to the current pumpage fee to offset the cost of lost water. It was mentioned that the District should adopt a charge for water provided for fire protection purposes. The LDS Church has obtained District approval for water for fire protection purposes, but a rate is needed to cover the charges for water provided through the connection. There was discussion of the proposal for an additional 5% charge over the Lone Star District fee. The 5% charge would cover the cost of water that is lost by the District or that is not sold to customers. Director Saxe expressed objection to the 5% additional charge. Mr. Saxe stated that the District should simply absorb the charge, and it is not necessary to impose this burden on the District customers.

Bill Russell addressed the Board and stated that because of the District's limited budget, the District should impose the charge to avoid unnecessary expenditures. There was discussion, and it was mentioned that the Board District should be consistent on imposing charges related to the pumpage fees by the San Jacinto River Authority and the Lone Star Groundwater Conservation District. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted for in favor, with Director Saxe voting against the motion, to add an additional 5% charge for the groundwater pumpage fee to the District's customers for Lone Star Groundwater Conservation District.

There was further discussion of the rate for fire protection water service. The Board reviewed a proposed new Section 4.14 of the rate order that provides for a monthly charge of \$23.00, plus \$1.75 for each one thousand gallons of water used through the connection. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the proposed rate in Section 4.14 for fire protection water service. There was discussion of a proposed notice to be forwarded to District customers informing them of the new charges by the San Jacinto River Authority and Lone Star Groundwater Conservation District. The notice includes recommendations for water conservation in the District. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve and authorize mailing the notice to District customers addressing the new groundwater pumpage fees and the importance of water conservation.

10. The Board reviewed proposed rules and regulations for the Imperial Oaks Park and use of recreational facilities. It was mentioned that the rules are being amended to prohibit reservations for District facilities during holidays. Upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to adopt the rules and regulations for Imperial Oaks Park and recreational facilities as presented.


11. The Board reviewed a First Amendment to Interlocal Cooperation Agreement (Agreement No. 3) for the South Montgomery County Storm Water Coalition. Herman Little advised the Board that the First Amendment confirms the continued activities of the Coalition and addresses a request for membership in the Coalition by the City of Oak Ridge

North. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve and authorize signing the First Amendment to Interlocal Cooperation Agreement for the Storm Water Coalition.

12. The Chair called for customer inquiries. James Larimore suggested that the Board put information on the District's website about the bond election.

There was discussion of water provided through irrigation connections. A lot of water is being lost because of improperly operated irrigation systems. It was mentioned that District residents should be encouraged to save water. There was discussion of possibly publishing the names of the top ten water users or providing notices to those water users. After discussion, it was decided that no action would be taken on the matter at this time.

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


Secretary