

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
December 13, 2010

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on December 13, 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, Terry Holland, Jason Hajduk, Sergeant Josh Hanson, and Herman I. Little.

1. Minutes of the meetings held on November 8 and November 10, 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 Josh Hanson presented a law enforcement report. There were four misdemeanor arrests, six accidents, ten criminal mischief incidents, four family disturbances, 12 firearms-related incidents, two intoxicated persons, one DWI, and two warrant arrests during the month. There was discussion, and it was mentioned that Sergeant Hanson will write a column in the POA newsletter describing the law enforcement services in Imperial Oaks. Sergeant Hanson reported that a resident has been complaining about a person in the neighborhood and believes that the officers are not taking his complaint seriously. Sergeant Hanson assured the Board that deputies do drive by the location on Majestic Park at least once during each shift. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented.

3. 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 \$1,565,530.81. The capital projects fund balance is \$174,561.13. The general fund balance is \$812,253.12. The tax account balance is \$190,111.06. There was discussion of miscellaneous expenditures reflected on the budget. The Board reviewed a budget comparison report and noted that the District has expenditures greater than revenues of \$334,919.41 for six months of the fiscal year-to-date. After discussion, upon motion by Director Moore, 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 Saxe, seconded by Director Moore, the Board voted unanimously to approve payment of director fees and expenses as reflected on the report.

4. Mike Williams presented an operator's report. There are 3,770 connections in the District, of which 3,533 are occupied single-family residences. There are 57 vacant residences. The District collected revenues of \$248,326.45 for service provided during the month. The District accounted for 98% of water produced. Six leaks were repaired during the month. Ten bacteriological samples were taken, and all were satisfactory. No taps were made during the month, and the District had 15 taps during the year 2010. The wastewater treatment plant operated properly with no permit violations. The plant operated at 70% of permitted capacity. Mike Williams presented a list of 12 accounts that are delinquent and uncollectable because the customers have moved away from the District. The total of all accounts is \$1,328.20.

Mike Williams reported on a large water line break that occurred in the previous week. Digco was the contractor, and they are building the Burger King restaurant. Digco hit a District line causing a break. The line was repaired without difficulty. The next day, Digco hit the line again where the line goes under Rayford Road and this caused a huge problem. The operator called the County Commissioner concerning the need for repair of the water line under Rayford Road, and the Commissioner stated that the District would not be allowed to cut Rayford Road to make the repair. The District then bored under Rayford Road to reconnect the 12-inch water line. The line will be encased for future security. It was also necessary to bore under two driveways. The District will fill the old main line under Rayford Road to prevent any future problems with the pavement. A 2-inch valve was installed for fire protection at the Methodist Church. In response to a question by the Board, Mike Williams reported that the cost of the repair would approach \$50,000. In response to a question by Director Alli, it was mentioned that the District will have a legal claim against Digco. Herman Little advised the Board that the District will make a claim against the contractor, and the District should recover substantially all of the out-of-pocket expenses. A neighboring district had a similar experience with the same contractor, and the District was made whole. Director Saxe recommended that a letter be written to the contractor immediately to provide notice of the District's claim. After discussion, upon motion duly made, seconded and unanimously carried, the Board authorized the District's attorney to write a letter to Digco stating the District's claim for recovery of all costs. Upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to approve the write-off list as presented by the operator.

5. Mike Williams presented a report on Imperial Oaks parks and recreation facilities. There were ten calls for the pavilion and two calls for the ballfields during the month. The operator sealed benches at the park and ballfields. Regular mowing and cleaning was accomplished. Mike Williams reported that a fence adjacent to West Welsford is in need of cleaning and painting. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve the operator's report on Imperial Oaks parks.

6. Jason Hajduk presented an engineer's report. The clarifier project at the wastewater treatment plant is still underway. All equipment has been delivered to the site.

Mr. Hajduk reported that on November 18, 2010, the attorney and engineer met with SJRA representatives concerning the 2016 surface water conversion project. By 2016, all large ground water users in Montgomery County will be required to reduce ground water consumption by 30%. This will include the District, and the requirement will be applicable to both water plants. The SJRA is planning for construction and operation of a surface water treatment plant and delivery system that will serve Conroe and The Woodlands. Recently, the SJRA informed the District that the District will be included within the surface service area for the 2016 conversion. There was discussion of the District's plans to construct Water Well No. 3 and the surprising news that another

water source, surface water, will be available to the District in the future. The Board discussed needs for additional water supply in the District and the importance of Well No. 3 which was approved by the voters. The Board noted that it would have been better to know about the surface water project before the election occurred, but according to SJRA officials, the information was not known at that time. The Board expressed concern about having adequate information for residents of the District who were informed of the urgency of Well No. 3 and voted for additional bonds. It was mentioned that having additional information about the surface water project and the schedule would be very important to the District, and the Board requested an opportunity to have a representative of SJRA provide information to the Board.

There was further discussion about the need for Well No. 3, and the Board agreed that design of the well should proceed as soon as possible. Upon motion by Director Alli, seconded by Director Moore, the Board voted unanimously to authorize the District engineer to go forward with plans and specifications for Well No. 3.

7. The Board reviewed correspondence concerning nomination of a representative for the SJRA Groundwater Reduction Planning Contract Review Committee. It was mentioned that Al Newton has been a director of Southern Montgomery County MUD for quite some time and Mr. Newton has requested an opportunity to serve as a member of the committee. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to cast all of the District's votes for Al Newton for membership on the committee.

8. The Board reviewed an Amendment of Statement of Directors that reflects the amount of voted bonds following the District's election. Upon motion duly made, seconded and unanimously carried, the Board approved and authorized signing and filing an Amendment of Statement of Directors as required by law.

9. Herman Little presented a report received from Jim Holcomb concerning development in the District. A new builder will take over lots in Imperial Oaks Park, Section 11 to construct homes on the remaining 26 lots. Additional leasing of property in the Kroger center is expected in the coming year. All activity will result in additional taxable value for the District.

10. Herman Little presented correspondence received from the Texas Department of Health Services concerning tests for radioactive matter in the District's water supply. Recent media coverage in Houston concerning radioactive materials in drinking water in other areas has created concerns around Houston. The Board noted that the level of radioactive matter in the District's water supply from both wells is significantly below action levels established by the US EPA.

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



Secretary