

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

February 13, 2012

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on February 13, 2012 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
Michael Smith, Assistant Secretary
Paul Alli, Director

and the following absent:

Charles Saxe, Secretary

Also present were Greg Lentz, Bill Russell, Sergeant Josh Hanson, Jason Hajduk, Mike Williams, Jim Holcomb, Teague Harris, Paul Cote, Lori G. Aylett and persons on the attached list.

1. Minutes of the meeting of January 9, 2012 were presented for the Board's review and approval. The Board suggested certain corrections to the minutes. Upon unanimous vote, the minutes were approved as corrected.

2. Sergeant Hanson presented a law enforcement report. He reported that one deputy had resigned during the month, and efforts are underway to find a suitable replacement. There were two burglaries, nine thefts, six traffic accidents, and 20 disturbances. There were four calls for criminal mischief, three misdemeanor assaults, and 147 traffic enforcement interactions. The constable noted that most of the thefts are coming from the Kroger Shopping Center. The new camera and radio system in the vehicles is working great. The constable has purchased video management software, and soon the officers will be able to prepare reports in the car. When the officer resigned, a car allowance was lost, so the District may need to consider the purchase of a new car when the new officer is hired. The Board agreed to put purchase of car and equipment on the next agenda. The Board asked the officer to investigate the cost of installing a sign that indicates vehicle speed. It was the Board's observation that such signs tend to slow down traffic. Constable Hanson reported that in April, the homeowner's association will put on a small business fair. The constables will be on hand with 200 child ID kits. After discussion, upon unanimous vote, the constable's report was approved as presented.

3. Greg Lentz addressed the Board of Directors regarding a refunding bond proposal to be placed on a future agenda. He stated that he was filling in for Drew Masterson of First Southwest. He noted that the Board has a tremendous opportunity to refund some of its existing debt at lower interest rates. Interest rates are at a 25-year low. The District's outstanding bonds have interest rates of between 4.1 to 4.5%. Current bond yields are ranging

from 0.9% to 2.85%. The District could consider refunding some of its bond currently and some of them in advance of their maturities through the establishment of an escrow fund. The bonds must be structured in accordance with City of Houston refunding bond ordinances, and debt cannot be extended beyond its current maturity. The District could achieve gross savings of \$289,717.50, and net present value savings of \$235,014.79, and all costs are net of fees. If the Board is amenable, the financial advisor will plan to come to the next Board meeting and discuss a bond sale in more detail. The financial advisor noted that the City of Houston also requires the District to have at least 3% present value savings, and in the current conditions the District could anticipate 5% present value savings. Savings must also be uniformly structured. The District could consider a parameters refunding bond, which is a way for the District to time the market by authorizing a Board member, typically the President, to execute bond documents when interest rates are most favorable. The Board could set forth the parameters under which the President would be authorized to execute the documents. The Board noted that they were interested in proceeding with such a financing and requested that the attorney place items on the March agenda for further consideration.

4. Bill Russell presented a bookkeeper's report, a copy of which is attached. The debt service fund balance will stand at \$4,545,872.88. The capital projects fund stands at \$2,710,461.69. The general fund balance is \$1,373,105.56. Eight months into the fiscal year, the District has revenues exceeding expenditures of \$617,395.37. After discussion, upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed thereon. Upon unanimous vote, the Board approved payment of director fees as listed on the report.

5. Mike Williams presented an operator's report. The District billed water and sewer revenues totaling \$199,029.95. The District served 3,799 connections, and 3,558 customers received garbage service. 56 homes were vacant. The operator took 10 bacteriological samples, and all were acceptable. The District sewage treatment plant operated within all permitted parameters, and the sewer plant is currently operating at 75% of the permitted capacity. No new taps were made during the month. The operator proposed write-off of 14 accounts totaling \$2,703.21. Upon unanimous vote, the Board approved the operator's report and the write-offs as presented.

6. Mike Williams presented a report on the status of parks and recreational facilities in the District. In the wetlands area, three dead trees were removed. There were 11 calls for use of the parks, seven of which were for the use of the pavilion, three of which were for the ball fields, and one miscellaneous call. There was one party during the month of January. In the parks, regular mowing and clean-up was performed, and basketball nets were replaced. Ant bait was put out, and hedges were trimmed. There was some minor vandalism to the outlook area. The operator reported that some lighting at the main park needs to be replaced, and trenching will be required. The operator will get a firm price and report back to the Board.

At the ball fields, regular mowing and maintenance was performed. The operator discussed the irrigation system at the ball fields. It was originally installed by Green Pros, and the soccer fields have been irrigated through a meter paid by the homeowner's association. The original District meter had been disconnected some time ago. The District should be irrigating the soccer field, and the operator will need to make a road bore under the street to reconnect the

District meter. The operator anticipates a price of less than \$2,000 to perform the road bore. Upon unanimous vote, the Board approved the expenditure of up to \$2,000 to bore under Imperial Oaks Boulevard and reconnect the District's irrigation meter to the soccer fields.

Jim Holcomb briefly discussed the need for more T-ball fields and other athletic fields. Jim Holcomb requested that a representative of Rayford Road Board meet with him to discuss future recreational needs in the area. Frank Moore volunteered to work with the operator and the developer on the matter.

7. Jason Hajduk presented an engineer's report. The Phase I sanitary sewer rehabilitation is approximately 95% complete. As the engineer was reviewing the videos, he noted that some of them had no video recorded on them. The engineer has contacted the contractor and should receive DVDs next week. After receipt of the missing video, the engineer should be able to finish his review and make a report to the Board.

The engineer reported that Water Well No. 3 is progressing nicely. The water quality test was performed on December 12, 2011. All the reporting constituents are below corresponding primary or secondary drinking water limits. The contractor has completed the 36-hour pump test, and the results of the tests are very good. Sand production is negligible, and the capacity of the well is good. The well efficiency was greater than 80%. The engineer recommends that well production be set at a thousand gallons per minute. A 1,000 gpm pump with a 150-horsepower motor will produce somewhat more than 1,000 gpm initially, but will produce about 1,000 gpm after 30 feet of regional aquifer decline. Two additional pump bowls will need to be installed, which will increase the price of the contract by \$5,000. This increase will be offset by a reduction in extra work items. With the new well estimated to produce at or slightly more than 1,000 gpm, the District will no longer need the 200 equivalent single family connections that were purchased from the MUD 99 water plant. The engineer was pleased to report that work at the well site was approximately two weeks ahead of schedule.

With regard to Well No. 3's transmission line, a notice to proceed was issued on January 30. The work is almost complete. The contractor has installed a transmission line from Water Plant No. 2 across the Drainage District No. 6 drainage channel.

At Water Plant No. 1, the ground storage tank replacement and Water Plant No. 2 modifications bid opening was held on February 10, 2012. W. W. Payton Corporation was the low bidder at \$496,000. The estimated cost of the project, which was included in the bond application, was \$869,586 including contingencies. The engineer presented a bid tabulation and a letter of recommendation to award the contract to W. W. Payton Corporation.

8. The Board discussed the potential sale of 200 connections of water capacity in the Montgomery County MUD 99 facilities. The attorney presented a discussion points memorandum for the Board's consideration. The Board purchased 200 connections of capacity utilizing surplus bond funds on July 7, 2007. The purchase price was \$317,500. A portion of the surplus bond funds came from the District's Series 2006 A Bonds, and the remaining portion came from prior bonds that were issued. The District's well is anticipated to be complete in early summer of 2012. MUD 115 wants to purchase all 200 connections, subject to a separate agreement that it has with MUD 99 by which MUD 99 has a right of first refusal on 44 of the connections. However, because of the structure of the agreements, MUD 99 holds

legal title to the plant site and permits and will be a necessary party to the sale of any capacity. If the District sells its connections, it would be required to amend its Second Amended and Restated Water Supply and Emergency Interconnect Agreement with MUD 99. The agreement would then become a simple emergency interconnect agreement. Also at the conclusion of any sale, MUD 99 and MUD 115 and their respective developers would be required to amend their agreement regarding water supply to remove references to the Rayford capacity.

The Board discussed the price at which capacity should be sold back to MUD 99. The Board noted that it would be appropriate to sell the capacity for the purchase price plus some rate of interest. The financial advisor had recommended that the District utilize the interest rate on the source of the money initially used by Rayford to purchase the capacity. In other words, the District should use the interest rate on the bond proceeds used to purchase the capacity. The bookkeeper recommended that the auditor be utilized to calculate the interest rates on the surplus bond funds. After discussion, upon unanimous vote, the Board authorized engagement of the auditor to perform a limited purpose calculation of interest and interest rates to be used for the sale of the surplus capacity. Upon unanimous vote, the Board authorized the attorney to prepare a letter agreement for sale of the capacity for consideration at a future meeting.

9. Jim Holcomb presented a developer's report. The pad site at the Kroger Center is under construction. Kroger plans to expand their store. Moo Yah's is building out its space. A medical device operator and a dental clinic are looking at space in the Kroger Center. It is the developer's opinion that a medical presence would be desirable in that center. The developer noted that Coventry had sold its model and completely built out, and therefore the District is completely developed. Director Alli reported that he will be volunteering assistance in the upcoming barbeque cookoff.

10. The attorney presented a proposed Consent to Encroachment for the Board's consideration. The Kroger Center has built a dumpster pad site on one of the District's easements. The engineer recommended that the District consent to the encroachment, and the Board noted that it had previously given a verbal consent. Upon unanimous vote, the Board approved the consent to encroachment and authorized the President to execute the document.

11. There was presented the attached Resolution Authorizing Challenge to the Appraisal Roll. The attorney noted that the preliminary tax roll comes out in May, and the tax assessor has a limited amount of time to challenge any errors or omissions that he sees on the preliminary roll. The tax assessor should be authorized to make such challenges on the District's behalf. Upon unanimous vote, the Board approved the resolution as presented.

12. There was presented the attached Order for Election of Directors. The Board noted that it would be appropriate to call an upcoming directors election to be held on May 12, 2012, if necessary. Upon unanimous vote, the Board approved the order as presented.

13. The Board reviewed the Joint Election Agreement and Election Services Agreement with Montgomery County. The Board noted that it would be economical and appropriate to conduct a joint election with the County and allow them to provide elections services pursuant to the agreement. The attorney noted that the proposed consolidated precinct list showed that the District voters will be required to vote on election day at the Shenandoah Municipal Complex. However, the District might be able to move election day voting to one of

