

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

March 12, 2012

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on March 12, 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, Mike Williams, Bill Russell, Jason Hajduk, Jim Holcomb, Sergeant Josh Hanson, Amy Ordeneaux, Lori G. Aylett and persons on the attached list.

1. Minutes of the meeting of February 13, 2012 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. There was presented the attached Order Declaring Unopposed Candidates Elected and Canceling Election. The Board was presented with a certificate of the secretary indicating that the deadline for receipt of applications for place on ballot had passed, and none of the candidates for the upcoming directors election were opposed. It would be appropriate to adopt the order and cancel the election. Upon unanimous vote, the Board adopted the order as presented.

3. Sergeant Hanson presented a law enforcement report. During the month of February, the officers responded to two burglaries, three thefts, and five accidents. There were nine disturbances, six misdemeanor assaults, 143 traffic stops, and 495 miscellaneous calls. The officer noted that some areas have been experiencing water meter thefts, but thus far none have occurred in the District. Mike Williams thanked the Constable for getting involved in a situation with an irate customer. The customer had been scheduled for water termination and had parked a car over the top of the District's meter. With the Constable's involvement, the situation was resolved. After discussion, upon unanimous vote, the constable's report was approved as presented.

4. The Board discussed purchase of law enforcement equipment. The officer recommended that he be authorized to purchase a vehicle for use in the District at a cost of approximately \$23,500 plus equipment costs of approximately \$3,977.20. After discussion, upon unanimous vote, the Board approved the purchase of the vehicle at a cost not to exceed \$25,000.

5. Bill Russell presented a bookkeeper's report, a copy of which is attached. After payment of tonight's bills, the debt service fund balance will stand at \$2,315,063.80. The capital projects fund balance will stand at \$2,302,332.65. The general operating fund balance will stand at \$1,328,730.50. Nine months into the fiscal year, the District has revenues in excess of expenditures of \$569,803.44. Upon unanimous vote, the Board approved the bookkeeper's report and payment of bills. Upon separate motion and unanimous vote, the Board approved payment of the directors' fees and expenses.

6. Mike Williams presented an operator's report. The District serviced 3,803 connections, with 3,556 customers receiving garbage service. There are 61 vacant accounts in the District. The sewage treatment plant operated within all permitted parameters. The operator made three taps during the month. The District accounted for 92% of the water produced. The operator presented one write-off proposal in the amount of \$15.42, which was unanimously approved by the Board.

The operator reported that twice in the last month and a half, the sensor line on the panel at water plant no. 2 has burst. When this happens, the sensor calls to the booster pumps, which turn on, and the District waster system gets high pressure. The operator recommended that the District install a building around and over the top of the panel to solve the problem. The operator estimated a cost of \$9,500. Upon unanimous vote, the Board authorized the expenditure of \$9,500 for the building over the panel at water plant 2.

The operator reported that helisleeve screws at the wastewater treatment plant are malfunctioning. This apparatus removes rags and debris from the influent. The operator estimates that it will cost approximately \$60,000 to replace this unit, but the engineer needs to review the situation and present options for the Board. Upon unanimous vote, the Board authorized the engineer to begin an analysis of the helisleeve to recommend a solution. Upon unanimous vote, the Board approved the operator's report and the write-offs as presented.

7. The Board reviewed a parks and recreational facilities report. The operator did regular mowing. The District had 23 calls for use of the facilities, 20 of which were for the pavilion and three for the ball fields. The operator requested authorization to fertilize the main park, and the Board authorized the action. The operator reported that all of the water fountains were serviced and repaired.

The operator reported on the status of the Drought Contingency Plan, and noted that water usage in the District was down to near normal levels. The operator asked the attorney to put an item on the next agenda to discuss removing the District from drought conditions. The operator also noted that the Drought Contingency Plan will need to be changed when the new well comes on line.

8. Jason Hajduk presented an engineer's report. The engineer has completed Phase I of the sanitary sewer rehabilitation survey. Cost estimates were presented for the Board's review and consideration. The engineer reviewed the conceptual cost estimate for an option for Phase I sanitary sewer rehabilitation in Section One. The engineer noted that the majority of Section One was comprised of large concrete pipe or 8-inch truss pipe. This pipe is nearly 30 years old and is beginning to fail in places. Eventually, all the pipe will need to be

replaced. However, the Board could consider prioritizing the repairs. The engineer presented a color graphic showing proposed areas of rehabilitation. The pipes colored in yellow are the most severely damaged and need to be replaced through pipe bursting. There will also need to be some point repairs made. The engineer ranked the repairs on order of severity with four and five being the most severe. Option A presented for the Board's consideration was to perform 2,900 linear feet of pipe bursting and rehabilitation of manholes, which will make all the four and five priority repairs in Section One at a cost of \$312,358. Option B would be to perform all of the necessary repairs in Section One, which would be approximately 5,200 linear feet. The engineer estimated a cost of \$454,773 for that project. The engineer noted that the District's system was currently working and will continue to work, but the District will continue to experience more inflow and infiltration problems as the lines crack and allow storm water to penetrate. The engineer acknowledged that the repairs will be disruptive, since it will require digging in backyards. The Board noted that it would take the matter under advisement and consider it at the next meeting.

The engineer reported on the status of construction of well no. 3. The pump and motor have been ordered and are expected to be delivered to the site in the middle of May. The engineer presented pay applications no. 2 and 3 to Weisinger in the amounts of \$394,740 and \$144,021.50, respectively. The engineer recommended payment of pay applications no. 2 and 3.

With regard to the well no. 3 transmission line, construction is almost complete. A final walk-through has been scheduled for March 16. The engineer recommended payment be made to Clearwater Utilities for pay application no. 1 in the amount of \$247,981.78.

With regard to water plant no. 1 ground storage tank replacement and water plant no. 2 modifications, the contracts have been signed, and the notice to proceed was issued on March 5. The completion date is estimated to be April 26. The engineer presented a material testing services proposal from Tolunay Wong Engineers in the amount of \$9,354.

With regard to the SJRA surface water conversion project, the SJRA is moving into the design phase of the project.

The engineer presented a request for utility commitment from SLI Group for renewal of their existing commitment for the remaining area in the Kroger Shopping Center next to the Burger King. The engineer recommended renewal of the utility capacity letter as presented.

Finally, the engineer received a phone call from Primrose School of Imperial Oaks, which is located outside the boundaries of the District across from the Kroger Shopping Center. They are requesting sanitary sewer service in exchange for annexation. However, the engineer noted that the District has limited capacity and is not likely to gain much taxable value from an annexation. After discussion and consideration, upon unanimous vote, the Board authorized the engineer to respond to Primrose School and notify them that the District does not have capacity to serve them at this time.

Upon unanimous vote, the Board approved payment of pay applications no. 2 and 3 to Weisinger for the water well. Upon unanimous vote, the Board also approved the pay application to Clearwater Utilities. Further, upon unanimous vote, the Board approved the

proposal of Tolunay Wong for material testing services. Finally, upon unanimous vote, the Board authorized the engineer to issue a renewal utility commitment letter to SLI Group.

9. The Board discussed a proposal for sale of 200 equivalent single-family connections of capacity that the District owns in Montgomery County MUD 99's well. The attorney noted that at the last meeting, the Board had authorized her to prepare a letter agreement regarding conveyance of that capacity. Rayford Road has agreed to sell the capacity back to MUD 99 at the price for which it purchased it, \$317,500, plus interest from the date that Rayford purchased the capacity in July of 2007. Rayford computed two separate interest rate components, because it used two different sources of funds to purchase the capacity. Interest on \$220,615 will be computed using Rayford Road's Series 2006A bond net effective interest rate of 4.454688%. The remaining balance of the purchase price will be subject to an average interest rate from several of the Rayford Road prior series of bonds in the amount of 4.817936%. The final sale would occur when Rayford Road's engineer certifies that Rayford's Water Plant No. 3 is substantially complete and operational and that the capacity is surplus, currently anticipated to occur in June of 2012. The attorney disclosed that she represented Rayford Road MUD, the District, and Montgomery County MUD 115.

The Board reviewed the letter agreement for sale of its capacity in detail. Upon unanimous vote, the Board approved the proposal for sale of capacity to MUD 99 as presented, and the Board further approved the auditor's calculation of interest on the sales price.

10. Jim Holcomb presented a developer's report. The Kroger store bought Reserve D to expand their store. The store will be increased in size, and the parking area will be expanded. The developer announced that he had leased tenant space in the shopping center to Memorial Hermann. There will be a medical clinic in the Kroger Shopping Center near Imperial Oaks. Finally, Jim Holcomb reported that he was very saddened to learn of the death of Herman Little. Mr. Holcomb went on further to say that Herman Little had provided invaluable services to Rayford Road MUD at a time when Rayford Road MUD was financially strapped in the early 1990s. Without Mr. Little's guidance and hard work, the District would not have become such a successful development and active community.

11. Greg Lentz presented a financial advisor's report and a report on the potential for refunding of the District's outstanding bonds. Mr. Lentz reported that due to historic low interest rates, some of the District's outstanding debt could be refinanced at lower interest rates resulting in gross savings and net present value savings. For the District to take advantage of such an opportunity, the District would need to approve a preliminary official statement, the offering documents for the bonds. In addition, the District would have to appoint an underwriter and set parameters under which an official of the Board could act to approve and authorize the sale of the bonds. The City of Houston has ordinances governing the issuance of refunding bonds, and the District must achieve present value savings of 3% to meet the City of Houston ordinances. Based upon current interest rates, the District could expect to achieve present value savings in the range of 3.5 to 5%. The financial advisor noted that it would be appropriate for the Board to authorize a District officer to act on the District's behalf in the issuance, sale, approval and delivery of the bonds under terms and conditions set forth by the Board. The Board can establish parameters under which one of its officials will be authorized to act on behalf of the District. After discussion, upon unanimous vote, the Board authorized Paul

Alli to act on the District's behalf in the issuance, sale, approval and delivery of the refunding bonds if the District can achieve a 3.75% present value savings.

The financial advisor noted that the District was required to select an underwriter. It was noted that Southwest Securities bought the District's 2011 bonds. Upon unanimous vote, the Board selected Southwest Securities to act as the District's underwriter.

Mr. Lentz turned to the Preliminary Official Statement and reviewed it in detail with the Board of Directors. He noted that the document described the District and the proposed bonds in detail. The District will engage Grant Thornton as verification agent to verify the District's compliance with City of Houston ordinances and the amounts put on deposit in the escrow fund. The Preliminary Official Statement must describe the District accurately and must not omit anything that would be material to an investor. After a thorough review, upon unanimous vote, the Board approved the Preliminary Official Statement, the official Statement, and the Notice of Refunding for the Series 2012 Refunding Bonds.

12. The attorney noted that it would be appropriate for the Board to designate District officers and directors authorized to act on behalf of the District in the issuance, sale, approval and delivery of the Series 2012 Refunding Bonds and to carry out all necessary acts and procedures, including but not limited to, entering into a Bond Purchase Agreement, entering into a Paying Agent/Registrar Agreement, entering into an Escrow Deposit Agreement, approving the Verification Agreement, adopting the provisions of the City of Houston ordinances regarding refunding, and evidencing such actions by the execution of an Approval Certificate. Upon unanimous vote, the Board authorized and designated the Board president and secretary to act on its behalf subject to the parameters previously set forth, and the Board further authorized Paul Alli to execute the Bond Purchase Agreement and Approval Certificate. The Board further authorized all its consultants to take any actions necessary to issue, sell, approve and deliver the bonds.

13. There was presented the attached Bond Order for the Series 2012 Refunding Bonds. The attorney explained the Bond Order to the Board. She noted that the Bond Order is the District's covenant with the bondholders. As such, the District covenants to levy a tax sufficient in rate and amount to pay the bonds when due, and the District covenants to maintain the tax exempt status of the Bonds. The District further promises to annually update certain financial information that is of interest to bondholders. The Bond Order contains the parameters under which Mr. Alli and the Board president and secretary will be authorized to act on the Board's behalf. Upon unanimous vote, the Board approved the Bond Order as presented.

14. There was presented the attached Order Authorizing Actions for Issuance, Approval, and Delivery of the Series 2012 Refunding Bonds. Upon unanimous vote, the Board adopted the Order as presented.

15. The attorney requested authorization to direct correspondence to the State Comptroller regarding the District's eminent domain power. In the last session, the Texas legislature passed a new statute requiring all entities with condemnation powers to set forth those powers in detail, by reference to the appropriate statute, and to send a return receipt requested letter to the State Comptroller regarding such powers. If the letter is not sent, the District may lose the condemnation powers. Upon unanimous vote, the Board authorized the attorney to direct correspondence to the State Comptroller regarding the District's condemnation powers.

16. The Board reviewed proposals for solid waste collection services. Ms. Amy Ordeneaux Raley of Best Trash presented a proposal on behalf of her firm. Her firm proposed a three-year contract at a price of \$13.45 per connection per month or a five-year term for the price of \$12.85. The District's current service days would be maintained. The District residents would own the trash cans, and Best Trash would provide 18-gallon containers for recycling. Best Trash would provide an insert to be sent to customers regarding the change in service. The Board reviewed the proposal in detail. Upon unanimous vote, the Board approved the proposal of Best Trash for a five-year term, subject to the attorney's review and negotiation of the contract.

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



Secretary