

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

August 13, 2012

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on August 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 Bill Russell, Jason Hajduk, Joseph Ellis, Mike Williams, Constable-elect Ryan Gable, Matt Rodrigue, Jimmy Drummond, Sergeant John Hanson, Lorene Roy, Drew Masterson, Deputy Hanley, Lori G. Aylett, and persons on the attached list.

1. Minutes of the meeting of July 9, 2012 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.
2. Director Frank Moore presented his statement of appointed/elected officer, letter of qualification and oath of office. Upon unanimous vote, the Board accepted the oath of office of Director Moore and voted to include him under the director's faithful performance bond. Director Moore participated in the remainder of the meeting.
3. Sergeant Hanson presented a law enforcement report. He first introduced Precinct 3 Constable-elect Ryan Gable and Officers Matt Rodrigue and Jimmy Drummond. Constable Gable stated that he was looking forward to working with the Board of Directors for the District's law enforcement needs.

Sergeant Hanson then turned to the area activity report. During July, there were four accidents, one theft, and one auto theft. There were 34 disturbances, seven incidents of criminal mischief, two misdemeanor assaults and 181 traffic enforcement stops. Sergeant Hanson asked that the Board put an item on the next agenda to discuss purchase of a new Crown Victoria. The 2010 model has a lot of miles on it and it is time for the Board to consider a new vehicle.
4. Bill Russell presented a bookkeeper's report, a copy of which is attached. After payment of today's bills, the debt service fund balance will stand at \$2,390,136.66. The capital projects account will stand at \$1,429,219.66. After payment of the bills, the operations fund will stand at \$1,583,572.04. After two months of the District's fiscal year, the District has revenues in excess of expenditures of \$460,588.37. The District received payment from MUD

99 and MUD 115 for its 200 connections of capacity in the MUD 99 well in the amount of \$390,057.18. The bookkeeper reminded the Board that they had budgeted for the purchase of a new law enforcement vehicle during this fiscal year. After discussion, upon unanimous vote, the Board payment of director fees and expenses as presented. By separate motion, upon unanimous vote, the Board authorized payment of the remainder of the bills on the bookkeeper's report.

5. Joseph Ellis presented an audit of the District's books and records for the fiscal year ending May 31, 2012. The District had general fund revenues exceeding expenditures of \$233,174 for the fiscal year. The District has maintained a good healthy fund balance in the debt service fund. The auditor indicated that his firm will be issuing an unqualified opinion as to the District's books and records. The auditor reviewed the report in some detail with the Board members. After a thorough discussion, upon unanimous vote, the Board approved the audit of the District's books and records for the fiscal year ending May 31, 2012 as presented and authorized its filing as required by law.

6. There was presented the attached Resolution Affirming Review of Investment Policy, Strategies and Objectives. The attorney noted that pursuant to the Public Funds Investment Act, the District is annually required to review its investment policy to assure its compliance with Texas law. The attorney recommended no revisions to the investment policy, and the auditor's report noted no deficiencies with respect to how the District's investments are handled. Upon unanimous vote, the Board adopted the resolution as presented.

7. The Board noted the necessity to authorize preparation of continuing disclosure documents. The attorney noted that the District is required by federal securities law to update certain financial information that would be of interest to bondholders of the District. The District has a contract with First Southwest Company to perform the necessary continuing disclosure obligation. Upon unanimous vote, the Board authorized First Southwest Company to prepare and file the necessary continuing disclosure in accordance with their contract.

8. Drew Masterson presented a financial advisor's report and 2012 tax rate analysis. He first reported that the District's 2012 assessed value totaled \$531,767,562, virtually the same as last year's assessed valuation. Last year, the District had raised its tax rate by \$0.03 because it was selling new bonds for the construction of water well 3. The financial advisor was pleased to report that the bonds were sold at a lower than projected interest rate, and during the last year, the District refunded some of its outstanding debt. As a consequence, the financial advisor recommended that the District drop its debt service rate from \$0.53 to \$0.51. Last year, the District levied a maintenance tax of \$0.092. The financial advisor noted that the District could levy a \$0.10 maintenance tax and stay under the rollback rate and allow the District to receive \$531,000 in general fund revenues at 100% collections. If the recommended tax rates were levied, the District would have an overall tax rate of \$0.61 per \$100 assessed valuation, an overall decrease of \$0.012. The attorney noted that the process for levying a tax rate is a two-step process. First, the District must decide on a proposed rate and publish a notice of a public hearing to be held at a later date. The Board agreed that it would be appropriate to conduct a public hearing on the tax rate on Monday, August 27, 2012 at 7:00 p.m. Upon unanimous vote, the Board authorized publication of the tax rate calculations with a proposed debt service rate of \$0.51 per \$100 assessed valuation and a maintenance tax of \$0.10 assessed valuation.

9. Mike Williams presented an operator's report. The District collected \$315,251.90. The District served 3,807 connections, and a total of 3,565 connections received garbage service. The District accounted for 94% of the water produced. Ten bacteriological samples were collected, and all were within acceptable limits. The sewage treatment plant operated within permit at 77% of capacity.

The operator reported that the new water well is working great and has made a huge difference in supplying the demand of District customers during the summer.

The operator presented a list of three proposed write-offs totaling \$384.84. Upon unanimous vote, the Board authorized write-off of the accounts as presented.

The operator presented two proposed notices regarding an increase in fees charged by the San Jacinto River Authority. The first notice was supplied by the SJRA at no additional charge to the District and described the SJRA and its mission in detail. The operator provided a supplemental notice to customers specifically describing the rate increase and the District's additional five percent charge for administration costs and water loss. After discussion, upon unanimous vote, the Board authorized the operator to mail the notices as presented. Upon unanimous vote, the Board approved the operator's report as presented.

10. Mike Williams presented a parks and recreational facilities report. The operator cut down 10 dead trees in the wetlands area and performed regular mowing and clean-up. At the pavilion, there were 14 calls for the month, six of which were for the pavilion, seven of which were for the ball fields, and one requesting general information.

In the parks, regular mowing and clean-up was performed. The basketball nets were replaced, and ant bait was put out. The bridge was completed on the pathway behind the park, and it was 72 feet long. The residents were very appreciative of the bridge's construction, as it will make the trail much more useful during wet weather. The operator discussed the vandalism that occurred at the outlook area. This area has been repeatedly vandalized. The operator presented a price estimate of \$650 to reinstall the handrails. It would cost only \$400 to put a toe rail on the outlook, and the toe rail will be much more difficult to vandalize. After discussion, the Board elected to proceed with placing a toe rail on the outlook.

At the ball fields, the operator performed regular mowing, edged the outline of the fields, and sprayed the backstops and outlines with weed killer. The operator presented a proposal for repair of backstop no. 2 at \$2,046 and repair of backstop no. 1 at \$1,386, for a total of \$3,432. Upon unanimous vote, the Board authorized repair of the backstops. The operator noted that his initial estimate presented at the last meeting for replacement of the slide was incorrect. The slide will cost \$7,000 to replace, and installation costs will be \$3,000. The Board asked the operator to obtain quotes and proposals from other vendors, and the Board members will do the same and return to the next meeting.

11. Jason Hajduk presented an engineer's report. Plans and contract preparation for the Phase I sanitary sewer rehabilitation will begin this week. Water well no. 3 is operational. The contractor still needs to perform miscellaneous clean-up and start up the generator. A final walk-through will be scheduled within the next month. The engineer recommended that payment be made to Weisinger Incorporated for pay application no. 5 in the

amount of \$381,496.55 and pay application no. 6 in the amount of \$94,563.90.

At the water plant no. 1 ground storage replacement and water plant 2 modification project, the contractor wants to get started. However, the operator wants to wait until October 1 for better coordination. The engineer prepared a zero dollar change order to change the start time to October 1.

With regard to the San Jacinto River Authority surface water conversion project, the SJRA is preparing easements for the future water line to be located in the District. To date, the engineer has received five easements to review and expects more to be prepared. In addition, the engineer has prepared a proposal to do the work to design the surface water treatment facilities that will be on the District's plant site. The Board asked the engineer to provide information on the surface water line alignment and location at the next meeting. Some residents are concerned about where the line will be installed.

The engineer indicated that the wastewater treatment plant permit renewal application was submitted to the Texas Commission on Environmental Quality today. There were no new utility requests. The new head works at the wastewater treatment plant has been ordered, and the engineer expects delivery in late September to early October. After discussion, upon unanimous vote, the Board approved the engineer's report as presented and approved the payment of pay estimate nos. 5 and 6 as recommended by the engineer. Upon unanimous vote, the engineer's report was approved as presented.

12. The Board deferred consideration of the Drought Contingency Plan at the operator's request.

13. There was no developer present, so no developer's report was given.

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



Secretary