

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

September 14, 2015

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met at 312 Spring Hill Drive, Suite 100, West Entrance, Spring, Texas, on Monday, September 14, 2015, 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
Brendon Keith, Secretary
Michael Smith, Assistant Secretary
Paul Alli, Director

and the following absent:

None.

Also present were Bill Russell, Mike Williams, Jason Hajduk, Michael Others, Sergeant Weis, Ms. Weis, Lori G. Aylett, and persons on the attached list.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. Minutes of the meeting held August 10, 2015 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.
2. Sergeant Weis presented a law enforcement report and reported the following statistics: there were 775 contract calls; two District calls; 61 reports taken; 291 citations and tickets; and four crashes. The constables drove a total of 6,860 miles in the District during the month. Sergeant Weis encouraged the guests at the meeting to contact law enforcement if any suspicious activity is observed. He noted that his officers get many good tips from observant residents.
3. The Board opened a public hearing on the proposed 2015 tax rate. The attorney confirmed publication of the proposed tax rate. The proposed tax rate was \$0.55 per \$100 assessed valuation. No members of the public wished to address the Board regarding the proposed tax rate, and the President declared the public hearing closed.
4. There was presented the attached Order Setting Tax Rate, Approving Tax Roll, and Levying Debt Service Tax and Maintenance and Operation Tax for the Year 2015. The order reflected a debt service tax rate of \$0.40 and a maintenance and operations tax of \$0.15. Upon unanimous vote, the Board approved the order as presented.
5. There was presented the attached Amendment to Statement of Directors Furnishing Information Required by Section 49.455(b), Texas Water Code, as Amended. The attorney noted that the Amendment to Statement of Directors is updated anytime the District

adopts a new tax rate and is filed in the real property records of Montgomery County. Potential purchasers of property are on notice that they are located in a water district and they are on notice as to the current tax rate of the District and other related District information. Upon unanimous vote, the Board approved the Amendment to Statement of Directors as presented and authorized its execution by all Board members present.

6. The Board President opened the meeting for citizen comments. He reminded those present of the District's policies and state law regarding comments, as follows: Citizen comment periods provide an opportunity for citizens to comment on non-agenda items in advance of regular business of the Board. Comments are limited to three (3) minutes per person. By state law, comments by the Board members on any item not on the agenda shall be limited to: a) Statements of specific factual information given in response to any inquiry; b) A recitation of existing policy in response to any inquiry; or c) A proposal to place the subject on the agenda for a future meeting. Director Vallery thanked those members of the public for attending the meeting and expressing an interest in the District. He then yielded the floor to Mr. Mike Williams, who gave a brief presentation on how water meters are read and the procedures that his company follows in reading meters. A copy of the facts sheet is attached to these minutes. Mr. Williams noted that the meters were analog and not capable of manipulation by computers or other electronic means. He noted that meters are tested periodically and calibrated and replaced as they get older. The operator did note that as meters age, they tend to run slower, not faster. The operator noted that the District's three well meters registered 66 million gallons of water delivered to the distribution system. This number coincides with the amount billed to the District customers. The operator fixed 21 leaks in the distribution system. The operator noted that there are over 3,800 homes in the District. Well meters are calibrated twice a year, and the District is charged a pumpage fee from the San Jacinto River Authority for all water pumped out of the wells. That fee is passed along to District customers.

The Board then entertained various public comments from those residents present. One resident expressed the opinion that it strained credibility to think that his home could have used as much water as he was billed for. Several other residents expressed concerns about the leap in usage on their individual accounts. Many customers stated that they could not have possibly used as much as they were billed for. Some residents indicated that their monthly bill had been constant and their usage had been constant until last month, when it spiked to double, triple, or quadruple the previous month's billing.

The operator confirmed that his office had responded to more than 200 complaints regarding the water bills. On 11 of the accounts, the operator found that a mistake was made by his office with either the meter reading or the data entry and adjustments were made to those accounts. In all other circumstances, the meter was read correctly. Mr. Williams reported that the District changes out meters when they reach two million gallons of usage. The Board questioned whether there was any pattern to the complaints regarding high usage. The operator has not been able to confirm any pattern. John Montgomery, also of Municipal Operations and Consulting, gave a brief presentation on how meters work. He noted that the device that causes the meter to turn is a spinner inside the meter, and in response to a question from a member of the public, he stated that the meter can spin by being pushed by water or air. However, air was not responsible for spinning any of the District meters, because air is only introduced in the distribution system if a major leak happens. Some residents asked that the Board consider

implementation of a levelized billing program, and the President directed that that be put on a future agenda.

The attorney provided information regarding the District's rate structure. She also discussed the duties and responsibilities of the Lone Star Groundwater Conservation District and the San Jacinto River Authority, and the rates charged by each of them. She also explained the District's increasing block rate, which charges higher rates to customers who use higher amounts of water. This rate is implemented to encourage water conservation.

The Board members reiterated to those present that all residents' concerns would be investigated. Director Alli noted that many other water providers throughout the state had been experiencing complaints from customers regarding high water bills. He suggested that the District reach out to the TCEQ to see if there is anything that can be done on a state level. After a lengthy discussion of all the issues presented, the attorney suggested the following action items for the Board's consideration: (1) the operator should mark the location of all complaints on a distribution map to see if there is any pattern to areas experiencing higher than normal usage; (2) likewise, the operator will check the type of meter of every person who complained during the last billing cycle to see if there could be any issue with a particular type of meter; (3) the District will provide a meter bench test or meter replacement for any customer who requests it; (4) the Board members will contact the TCEQ to see if they can get more information regarding whether there is any kind of widespread billing or meter issue; and (5) the operator will provide the Board members with a breakout of District customers noting how many customers used water in each of the District's rate classifications.

7. Bill Russell presented a bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$1,624,652.33. The capital projects fund will stand at \$92,019.79. The operating fund will stand at \$2,338,227.61. Expenditures exceeded revenues for the first three months of the fiscal year by \$565,698. Upon unanimous vote, the Board approved payment of director fees and expenses. Upon unanimous vote by separate motion, the Board approved the bookkeeper's report as presented and authorized payment of the remainder of the District's bills.

8. Michael Others presented an audit of the District's books and records for the fiscal year ended May 31, 2015. He stated that his firm was issuing an unqualified "clean" opinion. He reviewed the audit and the management discussion and analysis with the Board in some detail. After review, upon unanimous vote, the Board approved the audit and authorized its filing as required by law.

9. 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.

10. 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.

11. The Board considered an Agreement for Assessment and Collection Services with Montgomery County for collection of taxes. Upon unanimous vote, the Board approved the agreement as presented.

12. The Board reviewed the tax assessor/collector's report. After review, upon unanimous vote, the Board approved the report as presented.

13. Mike Williams presented an operator's report. The District billed \$284,086.80 to customers for services rendered. The operator took 10 bacteriological samples, all of which were acceptable. The District accounted for 98% of the water produced. The District served 3,816 customers, and 3,589 customers received all services including garbage. The sewage treatment plant operated at 66% of capacity with no permit violations. The operator requested write-off of 10 accounts in the total amount of \$888.05, and the Board approved the request. In response to the numerous requests from the residents at the meeting, the Board authorized the operator to push back the penalty date for late payments for 10 days for customers who questioned their bill. This will provide more opportunity for resolution of each complaint. After discussion, upon unanimous vote, the Board approved the operator's report as presented.

14. The Board discussed the emergency water supply agreement with Montgomery County Municipal Utility District No. 99 and extension of the temporary period. The attorney noted that the operator had opened the interconnect between the District and MUD 99 to maintain good pressure throughout the MUD 99 and MUD 115 system. MUD 99 has negotiated an agreement with the San Jacinto River Authority to extend the water line to their plant for more capacity. However, construction of that line is not anticipated to be complete until the end of next summer. The operator would like to maintain the interconnect in an open position, when necessary, until the surface water line installation is complete. The attorney noted that the Board could agree to extend the temporary period in the contract, which is normally 30 days. Upon unanimous vote, the Board agreed to extend the temporary period in the emergency water supply agreement with MUD 99 until the completion of the surface water transmission line. All other terms and conditions of the emergency water supply agreement will remain in force and effect as written.

15. The Board reviewed the candidates for the San Jacinto River Authority Groundwater Reduction Plan Contract Review Committee. Upon unanimous vote, the Board adopted the attached resolution casting its votes for Kerry Masson for such position and authorizing completion of the official ballot.

16. The parks and recreational facilities report was not available.

17. Jason Hajduk presented an engineer's report. The engineer reviewed the status of the surface water conversion project with the Board. The engineer informed the Board that preparation of the major amendment to the District's wastewater discharge permit is underway. The engineer informed the Board that modeling for elevated storage variance suggests that the TCEQ will approve an increase in connections from 3,750 to 4,214. The Board

authorized the engineer to begin the variance request upon receipt of funds from the developer that is requesting annexation. After discussion, upon unanimous vote, the Board approved the engineer's report as presented.

18. The Board reviewed the annual maintenance report from Municipal Risk Management Group concerning the District's compliance with federal arbitrage and rebate regulations. The District appeared to be in compliance with all current regulations. The Board noted the necessity to perform an arbitrage rebate report on the Series 2006A and 2011 bonds, and the attorney presented an engagement letter from Arbitrage Compliance Specialists to perform such work. Upon motion duly made, seconded and unanimously carried, the Board voted to approve the engagement of Arbitrage Compliance Specialists to perform an arbitrage rebate report on the Series 2006A and 2011 bonds as presented.

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


Secretary