

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT**

Minutes of Meeting of Board of Directors

April 10, 2017

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met at 27316 Spectrum Way, Oak Ridge, Texas, on April 10, 2017, 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 Mike Williams, Jason Hajduk, Sergeant Baker, Jim Nichols, Kathryn Nichols, James Ridgeway, Jr., Lucy Ridgeway, Paul Green, Vince Casimir, Jason Kraus, and Lori G. Aylett.

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 March 13, 2017 were presented for the Board's review and approval. One revision was suggested. Upon unanimous vote, the minutes were approved as amended.

2. Sergeant Baker presented a law enforcement report and reported the following statistics: there were 265 contract calls; 26 District calls; 77 reports taken; two felony arrests; eight misdemeanor arrests; 545 traffic contacts; nine vehicle burglaries; six crashes; and 12 charges filed. The officers reported that several credit cards were stolen from vehicles during the month, and thieves typically use them immediately. Sergeant Baker reminded those present of the importance of not leaving valuables in vehicles. Upon unanimous vote, the Board approved the law enforcement report as presented.

3. There were no citizen comments for the Board's consideration.

4. The Board reviewed the bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$1,546,422.13. The capital projects fund will stand at \$91,976.22. The operating fund will stand at \$3,461,759.06. Revenues exceeded expenses for ten months of the fiscal year by \$438,367.10. 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.

5. The Board tabled consideration of the draft budget for the fiscal year ending

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May 31, 2018 until the next meeting as the budget was not yet available.

6. Mike Williams presented an operator's report. The District billed \$246,890.21 to customers for services rendered. The operator took 10 bacteriological samples, all of which were acceptable. The District accounted for 93% of the water produced. The District served 3,822 customers, and 3,586 customers received all services including garbage. The sewage treatment plant operated at 64% of capacity with no permit violations.

The operator requested write-off of two accounts in the total amount of \$538.46, and the Board approved the request.

After discussion, upon unanimous vote, the Board approved the operator's report as presented.

7. The attorney noted that the District was required to review the FTC identity theft red flag program on an annual basis. The District operator presented the annual report and noted no issues. The attorney recommended that no changes be made to the program. Accordingly, upon motion duly made, seconded and unanimously carried, the Board voted unanimously to adopt the attached Resolution Affirming Identity Theft Prevention Program.

8. Mike Williams presented a parks and recreational facilities report. There were 22 calls regarding issues in the parks. Seven calls were for the pavilion, 14 calls were for the ball fields, and one call was received this month for information. The operator reported that lights, timers and sprinkler heads were repaired during the month. The operator has been working on getting the ballfields ready for the summer.

9. Jason Hajduk presented an engineer's report. The engineer reported that the TCEQ is still requesting additional information on the elevated storage variance. On the Rayford Road expansion project, a preconstruction meeting was held on March 2, 2017. The Notice to Proceed is anticipated to be issued by the end of April, with the project estimated to take 26 months.

The engineer discussed the proposal for selling a portion of the District's water line to Spring Creek Utility District. The District's line does not serve any District property but instead proceeds from the District's boundary down to the interconnect with Spring Creek Utility District. The engineer presented information about the original cost of the line. The original cost of the line, which was constructed in 1982, including interest at the rate of the bonds issued by the District to pay for the facilities, was \$193,487.99. The engineer also presented an estimate of current project costs to construct the line, which was \$163,875. The engineer pointed out that one advantage of selling the line would be that the District could avoid the costs of relocating a portion of the line, which will be required during the widening of Rayford Road. The road widening project will make it necessary to relocate approximately half of the water line. The Board discussed the pros and cons of selling the line to Spring Creek Utility District and the appropriate sales price. Vince Casimir, developer of property to be served in Spring Creek Utility District, offered input on his opinion of the line cost. After a full and complete discussion, upon unanimous vote, the Board agreed to sell the water line to Spring Creek Utility District for the price of \$150,000, not including that district's cost to remove and relocate the meter. The attorney noted that the District would need to revise the interconnect agreement to reflect the new location of the meter.

At the wastewater treatment plant, the razor wire still needs to be put on the top of the fence. Plant inspections are going as scheduled. The engineer had contracts for the Board to sign for the sanitary sewer rehabilitation project.

The developer of a proposed car wash approached the District engineer to see what it would take to obtain sewer service. The engineer advised that it would be costly since they would have to install a private lift station. The property owner sent a check to the engineer for \$5,000 so that he could perform a feasibility study. The engineer will provide the results of the study at the next Board meeting.

After discussion, upon unanimous vote, the Board approved the engineer's report as presented.

10. There was no new information on the conveyance of facilities to the San Jacinto River Authority.

11. The attorney presented the annual arbitrage and rebate maintenance report. The attorney noted that the District had no arbitrage profits to rebate to the Internal Revenue Service. The attorney presented an engagement letter from Arbitrage Compliance Specialists to perform a 5<sup>th</sup> Year Arbitrage Rebate Report for the Series 2012 bonds. Upon unanimous vote, the Board authorized engagement of the company to provide the required report.

12. There was presented the attached Order Authorizing Use of Surplus Funds. The attorney noted that it would be appropriate to use surplus funds to pay the costs of sanitary sewer rehabilitation project. Upon unanimous vote, the Board adopted the order as presented.

13. The attorney discussed the District's extraterritorial jurisdiction, strategic partnership agreements, and options of the District. She noted that the District was located in both the extraterritorial jurisdictions of the City of Conroe and the City of Houston. Neither City can annex the District in its entirety without negotiating an agreement with the other city. The District cannot form its own city or become incorporated without being released from the extraterritorial jurisdiction of Conroe and Houston. The District can enter into strategic partnership agreements. The City of Houston typically offers a strategic partnership agreement whereby they will agree not to annex a district for full purposes for a substantial period of time, up to 25 to 30 years. In exchange, the commercial areas of the district are annexed into the City for the limited purpose of collecting the \$0.01 sales tax. The City of Houston keeps \$0.005, and the other \$0.005 is rebated to the participating water district that has the strategic partnership agreement. In the District's case, there is not much commercial property currently in the District's boundaries. The Board thanked the attorney for the information and agreed to take it under advisement.

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

  
Secretary