

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
March 14, 2011

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on March 14, 2011 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 All, Director

and the following absent:

Charles Saxe, Secretary

Also present were Bill Russell, Jason Hajduk, Sergeant Josh Hanson, Drew Masterson, Daniel Eggert, Herman I. Little, Jr. and persons on the attached list

1 Minutes of the meeting held on February 14, 2011 were presented and reviewed Upon motion by Director Smith, seconded by Director All, the Board voted unanimously to approve the minutes as presented

2 Sergeant Josh Hanson, presented a law enforcement report During the month there were six accidents, eight disturbances, six misdemeanor arrests, five family violence incidents, one intoxicated person, two warrant arrests, two burglaries and four thefts There was discussion, and Lorene Roy reported that she had called the constable concerning a person sitting in a car in the cul-de-sac near her home There was no response to the call Sergeant Hanson advised the Board that he will be providing information for the community newsletter concerning law enforcement issues in the community Upon motion duly made, seconded and unanimously carried, the Board approved the law enforcement report as presented

3. Bill Russell presented a bookkeeper's report, a copy of which is attached to the minutes After payment of bills at this meeting, the debt service fund balance stands at \$2,096,204.13. The capital projects fund balance is \$171,907.12. The general fund balance is \$1,026,034.61. The tax account balance is \$25,130.31. The Board reviewed the report and a series of checks presented for payment of current bills. Upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve the bookkeeper's report and authorize payment of bills listed thereon Upon motion by Director All, seconded by Director Moore, the Board voted unanimously to approve payment of director fees and expenses.

4 Daniel Eggert presented an operator's report The District collected revenues of \$202,116.80 for service provided during the month. There are 3,774 connections in the District, of which 3,527 are occupied residences and commercial properties, and there are 65

vacant homes Ten bacteriological samples were taken, and all were satisfactory The wastewater treatment plant operated properly at a reported flow of 821,429 gallons per day No taps were made during the month, and there have been four taps for the year to date Mr Eggert then presented a list of delinquent accounts that have been closed with remaining balances and recommended that the balances be written-off as uncollectable The total is \$391 08 There was discussion of the write-off list and amounts that the District loses as a result of customers who leave the district without paying their bills It was mentioned that the total amounts of accounts written-off is very low compared to the District's revenues for water and waste collection and disposal service. It was mentioned that the District's cost is approximately 0 03% of revenues. There was discussion of the parties responsible for the delinquencies and as to whether those parties are property owners or non-owners There was discussion, and Daniel Eggert advised the Board that the situation could be improved if the District commenced requiring payment of security deposits upon receipt of an application for service Herman Little advised the Board that the operator may take this step without further Board approval The Board requested that an item be included on the agenda for the next meeting to consider this matter more fully It was mentioned that the District may want to consider increasing the customer security deposits After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve the write-off list as recommended

5. Drew Masterson addressed the Board with regard to a proposal for refinancing certain outstanding bonds of the District Drew Masterson advised the Board of assumptions that have been made concerning a possible refunding bond issue. Approximately \$5 9 million of bonds could be issued to refund \$5 8 million of bonds Mr Masterson presented a savings schedule that indicates the District would save approximately \$30,000 per year in debt service payments over 12 years for a total savings of about \$400,000 Under current assumptions, the net present value savings would be \$319,000. There was discussion of the interest rates, and the old bonds have an average interest rate of 4.69%, and the new bonds would have an interest rate of approximately 3.045% The refunding issue is feasible because of a recent change in the District's credit rating from A- to AA+

There was discussion of the proposed financing. The financial advisor stated that the City of Houston requires a minimum of 3% net present value savings, and the District would have present value savings of 5.5% under current assumptions In response to a question by the Board, Drew Masterson stated that the 5.5% savings occurs after all fees and expenses for the issue have been paid. There was discussion of procedures, and the financial advisor stated that at the next meeting a preliminary official statement could be available together with a bond purchase agreement. It is recommended that the District negotiate with Southwest Securities concerning purchase of the refunding bonds Competitive bidding for the bonds is not necessary in a refunding issue. The Board would authorize signing a bond purchase agreement by the Board president and would authorize the steps towards completing the sale of bonds under parameters that would be decided at the meeting. In response to a question by the Board, Drew Masterson stated that the District's exposure for out-of-pocket expenses in the event the bonds are not sold would be approximately \$13,000 to \$14,000 for rating fees, publishing costs and fees to other consultants There was discussion, and upon motion duly made, seconded and unanimously carried, the Board authorized the financial advisor to take steps necessary for preparation of a preliminary official statement and to come to the next meeting with documents necessary to go forward with the refunding bond issue

Drew Masterson then presented a cash flow schedule for the proposed \$3,850,000 Series 2011 bonds that will finance a new well for the District. An interest rate of 6.25% is assumed, and this could require a \$0.03 increase in the tax rate. Efforts would be made to sell the bonds below 6.25%, but that would be unknown until the actual sale of bonds.

6 Daniel Eggert reported on work performed at the Imperial Oaks Park. Regular mowing and cleaning was performed. There were 11 calls for use of the pavilion and 32 calls for use of the ballfields. Mr. Eggert requested Board authorization to mulch flowerbeds and to seed and fertilize the ballfields. After discussion, upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to authorize mulching, seeding and fertilizing flowerbeds and ballfields, as necessary. Upon motion by Director Moore, seconded by Director Alli, the Board voted unanimously to approve the operator's report as presented.

7 Jason Hajduk presented an engineer's report. The clarifier addition is 95% complete. When the clarifier goes online, a walk-through will be performed for any remaining work items. In response to a question by the Board, Jason Hajduk reported that he would check on the status of other work performed at the wastewater treatment plant.

Mr. Hajduk reported that comments have been received from District consultants concerning the bond application report. A copy of the District's well permit from the Lone Star District will be needed. The Board will authorize a bond application at the next meeting. Plans for Well No. 3 have been completed and are at the regulatory agencies for approval. It was mentioned that when the bond application is approved by the TCEQ, the engineers will start advertising for bids for the well. The District must have funds in hand before a contract can be awarded.

Jason Hajduk presented a proposal for engineering services and geotechnical testing services related to Well No. 3 and the interconnecting line and ground storage tank to be financed by the bonds. After discussion, upon motion by Director Alli, seconded by Director Moore, the Board voted unanimously to approve the proposal for engineering fees and geotechnical services as presented.

Jason Hajduk reported that a request had been received from SLI requesting additional utility capacity for property owned by Woodforest Bank. A two-acre tract has been sold by the bank, and capacity was allocated to the Burger King restaurant. A request has been made for an increase in remaining capacity for the balance of the property. Jason Hajduk advised the Board that capacity is limited and recommended that the Board not approve additional capacity as requested. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to deny the request for additional capacity for the SLI property. There was discussion, and the Board requested that an item be placed on the agenda to authorize video inspections of sanitary sewer lines in the District.

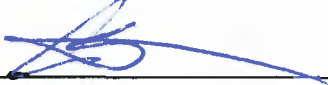
8 The Board reviewed Second Amended and Restated Water Supply and Emergency Interconnect Agreements with Montgomery County MUD 99 and with Montgomery County MUD 115. Herman Little advised the Board that the only changes being made to the agreements are the addition of San Jacinto River Authority ground water pumpage fees to be paid by any district that is purchasing water from the other party. Previously, the agreements had

been revised to include payment of the fees charged by the Lone Star Groundwater Conservation District. After discussion, upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to approve and sign the amended and restated agreements as presented.

9. The Board then reviewed orders for enforcement of covenants, conditions and restrictions on real property and establishing sanitary controls at a well providing public drinking water. Herman Little advised the Board that to establish sanitary controls around the Well No. 3 site, it will be necessary for the Board to adopt restrictions on the use of property owned by the District. Further, it will be necessary for the Board to adopt an order for enforcement of deed restrictions that are in place in Imperial Oaks Park, Section 6 for properties that are within the 150-foot radius of the well. Finally, a sanitary control easement is required on property owned by the Imperial Oaks Park Property Owners Association. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the orders restricting property owned by the District, the order for enforcement of deed restrictions on property in Imperial Oaks Park, Section 6 and a sanitary control easement on property of the Imperial Oaks Park Property Owners Association, and the Board authorized signing the documents as presented.

10. There was discussion of a public meeting to be held on March 19, 2011 by the South Montgomery County Storm Water Coalition. Members of the public are invited to attend the public meeting at which the coalition's plans for protection of storm water in the area will be described. Questions and recommendations from the public will be invited during the meeting.

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



Secretary