

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
June 13, 2011

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on June 13, 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
Charles Saxe, Secretary
Michael Smith, Assistant Secretary
Paul All, Director

and the following absent.

None.

Also present were Sergeant Josh Hanson, Bill Russell, Mike Williams, Jason Hajduk, Herman I Little, Jr and persons on the attached list

1. Minutes of meetings held on May 2 and May 9, 2011 were presented and reviewed. Upon motion by Director Smith, seconded by Director All, the Board voted unanimously to approve the minutes of both meetings as presented.

2. Sergeant Josh Hanson presented a law enforcement report. There were two thefts, four accidents, 15 disturbances, three misdemeanor assaults, two family violence calls, one drug involved case, three intoxicated persons, four warrant arrests, 11 total arrests and 255 traffic contacts. Sergeant Hanson reported that there have been numerous incidents of vandalism where persons have been shooting pellet guns at car windows. There was a fire behind the Imperial Oaks Park during the month. Sergeant Hanson suggested that all residents should keep their garage doors closed at all times. This will greatly reduce the number of incidents involving thefts and property damage. After discussion, 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 \$2,190,737.06. The capital projects fund balance is \$146,963.54. The general fund balance is \$734,412.74. This is 22% of the annual budget. The tax fund balance is \$8,972.17. The District has had expenses greater than revenues of \$424,228.68 for 12 months of the fiscal year to date. The District has collected 99.03% of taxes for 2010. There was discussion, and it was mentioned that the District will have certain amounts to be repaid to the general fund when the bonds have been issued. After discussion, upon motion by Director Saxe, seconded by Director All, the Board voted unanimously to approve the bookkeeper's report and to authorize payment of bills listed thereon. Upon motion by Director Saxe, seconded by Director All, the Board voted unanimously to approve payment of director fees and expenses as presented.

4 Mike Williams presented an operator's report. The District collected revenues of \$231,523.88 for service provided during the month. There are 3,786 connections in the District, of which 3,541 are customers receiving all District services. There are 49 vacant homes. Ten bacteriological samples were taken, and all were satisfactory. The wastewater treatment plant operated properly at 71% of permitted flow, and there were no permit violations. Seven taps were made during the month, bringing the total to 15 taps for the year to date. The District accounted for 97% of water produced. Nine leaks were repaired during the month. Mike Williams presented a list of eight delinquent accounts that are uncollectable and recommended that the accounts be written off. The accounts total \$410.44.

Mike Williams stated his apology to the Board for incorrect information that had been provided last month concerning the Stage 1 Drought Plan. The Stage 1 Drought Plan is not voluntary. Changes had been made in 2002 making the Stage 1 Drought Contingency Measures mandatory. Door tags were hung on all residences in the District about the Drought Contingency Measures. Director Vallery stated that he also had made the same mistake and had given people incorrect information.

Director Allin inquired concerning the District's procedures for penalizing people who violate the drought plan. Herman Little described procedures for receiving information about violations, procedures for issuing violation notices and conducting hearings by the board of directors. The rate order establishes procedures for hearings by the Board when violations are suspected. If a violation is determined, the Board has discretion to require payment of civil penalties or take other actions, including termination of water service. There was discussion, and Mike Williams stated that there have been very few calls about violations. When a call is received, the operator goes out to educate customers about the situation, and most people understand the importance of water use restrictions. It was mentioned that the water restrictions are working, because demand on the water supply system has declined significantly. Mike Williams advised the Board that the ground storage tank presently has 16 feet of water. The wells are continuing to run more than 18 hours per day, but the system is keeping up with demand. Mike Williams advised the Board that the operator will not let the situation develop to the extent that Stage 2 measures are required. The door tags have made a big difference in customer compliance. It was mentioned that the District can go to Stage 2 measures at any time, and this will occur if the wells operate more than 22 hours per day. Mike Williams reported that GM Services performed tests on both wells during the month, and all values were excellent or good. The submergence of the wells is good. After discussion, upon motion by Director Smith, seconded by Director Allin, the Board voted unanimously to approve writing off the uncollectable delinquent accounts as recommended by the operator, and the Board approved the report as presented.

5 There was discussion of the District's rate order and proposals for revisions of rates and charges. Mike Williams presented a package of information containing three rate scenarios for review by the directors and consultants. Calculations have been made to reflect different charges in several categories of usage to reflect the amount of additional revenue that would be received in each category. There was discussion of Scenario 2 that would involve an increase in the minimum water bill by \$0.50 to \$14.50. The charge per thousand gallons for consumption over 6,000 gallons to 12,000 gallons would be \$1.65. The charge for consumption from 12,000 gallons to 22,000 gallons would be \$2.25 per thousand. The charge for consumption from 22,000 gallons to 32,000 gallons would be \$3.00 per thousand. The charge

for consumption from 32,000 gallons to 42,000 gallons would be \$3 50 per thousand, and the charge for consumption over 42,000 gallons would be \$3.75 per thousand. There was discussion of the impact on District customers, and it was mentioned that the impact of these charges on customers who use minimum amounts of water would be minimal. The increase would be \$0 50 per month.

Lorene Roy addressed the Board and stated that a customer's bill will be very high if they use a sprinkler system without having a separate metered connection for the sprinklers. The District allows a separate meter for irrigation systems that enables customers to purchase water without having the associated charge for sewer service. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve the rates described in Scenario 2 as recommended by the operator.

There was discussion of the District's security deposits for customers. It was mentioned that at a previous meeting the Board had discussed increasing the security deposit for owner connections to \$100 and the deposit for non-owner connections to \$200. The changes would be prospective, and no current customer of the District would be required to post a higher deposit unless the customer becomes delinquent. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve a revision of the security deposits to \$100 for owner connections and \$200 for non-owner connections. There was discussion of the rate order, and it was mentioned that a security deposit should be required for commercial customers. After discussion, upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to adopt a customer security deposit of \$400 per connection, and this will be effective for new connections only, unless a customer becomes delinquent.

There was discussion of the rates charged for community irrigation customers. The Board had considered two alternatives for new rates at a previous meeting. The Board reviewed the rate analysis that had been provided, and upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to adopt Alternative 2 for water supplied through community irrigation systems.

There was discussion of a proposed notice to District customers concerning the rate changes that have been approved at this meeting. After discussion, upon motion by Director Moore, seconded by Director Alli, the Board voted unanimously to authorize the attorney to prepare a notice to District customers concerning the rate changes and the Board's emphasis on reduction of outdoor water usage. It was mentioned that the letter when drafted will be submitted to Directors Smith and Alli for their review and comments prior to completion and mailing to District customers.

6 Mike Williams presented a report on the Imperial Oaks Parks maintenance. Regular mowing and cleaning was accomplished during the month. 13 dead trees were cut down from District property. Two bags of trash were removed from Webber Pond, and the trash included a lot of drug paraphernalia and adult magazines. 30 calls were received for use of District facilities, including 11 for the pavilion and 18 for the ballfields. Mike Williams reported that there was another fire at the Imperial Oaks Park. The sprinkler times were changed on the irrigation systems at the ballfields, and the sprinklers will now operate only on Mondays and Thursdays as provided in the Drought Contingency Plan. In the dry weather, planks are

popping up on the walkway around the park, and the planks are being re-attached

7. Jason Hajduk presented an engineer's report. A walk through was conducted for the clarifier project, and a punch list was developed. There was an issue as to the skimmer arms that are not operating efficiently. The bond application was filed on May 6, 2011, and the engineer is calling TCEQ to request rapid completion of the review. Design of Well No 3 is complete. Design of the transfer line to Water Plant No 2 is almost complete.

There is a problem with plans for the ground storage tank replacement at Water Plant No 1. The existing power lines are too close to the work site. The engineer presented photographs of the plant site and the power lines. The plat for the plant site was recorded in 1979, and an easement was granted in 1980. The water plant was completed in 1980, and the power lines were installed without anyone's observation of potential problems. There was discussion of alternatives for relocation of the power supply. It would not be appropriate to install a new power pole in the Drainage District 6 ditch. The cable could be buried, but the cost of this would be approximately \$30,000 plus additional costs for a vault for the facilities. The cost would end up exceeding \$100,000. Another alternative would be to realign power lines to the other side of the drainage ditch. The design of the project cannot be completed until the issue involving power lines has been solved. A meeting has been requested with CenterPoint Energy, and it will be three and a half weeks before the meeting will occur.

Jason Hajduk reported that bids were received for the Sanitary Sewer Video Inspection project in Sections 1 and 3. The bids did not include lines in Section 2 because they have not been in place as long. The low bid was submitted by AAA Flexible Pipe in the amount of \$47,400. There was discussion of the change in the bidding procedures from the Board's authorization at the meeting at which it was authorized to receive bids for one section only. There had been discussion after the meeting about the scope of the project, but the Board had not given approval of a change. There was discussion of the bids, and it was noted that the matter to approval of bids is not on the agenda for this meeting. No action was taken on the bids for the Phase 1 Sanitary Sewer Video Inspection project.

Jason Hajduk reported that a request had been received for service to a fire station on Aldine Westfield Road south of the District's boundary. The District's sewer line is too deep to provide the service. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to approve the engineer's report as presented.

8. George Defenbaugh addressed the Board and described problems that the Property Owners Association has had with the irrigation system. The system was built in several phases by different contractors, and no one knows much about the overall system. Mike Williams has been very helpful and has provided assistance concerning meters when that has been possible. Apparently, only one person knows where the controller valves are, and the POA will be meeting with that person, an employee of Spencer whose name is Hector. Hector is the only person who really knows where everything is. A map will be developed, and then the POA will decide on actions to take regarding irrigation of landscape and reduction of water usage. Director Allis stated that the system is very irregular and is old. There is an irregular system of valves and controllers, but the POA is taking all steps possible to get on top of the situation.

9. Director Vallery stated that the District will request proposals for bookkeeping services. There have been no problems with the bookkeeper, but the Board wants to see what other prices would be. Upon motion by Director Saxe, seconded by Director Alli, the Board voted four in favor, with Director Smith voting against the motion to request proposals for bookkeeping services for the District.

Bill Russell addressed the Board and stated that he expected that his bid will not be the lowest bid. All other bidders will have an opportunity to obtain copies of the bookkeeper's contract under open records, and they will be able to underbid his proposal. There was discussion, and Bill Russell stated that if the Board has problems with the services that he has been providing, he would want very much to know about it, so changes could be made to satisfy the Board's concerns.

Director Vallery stated that the District will request proposals from Myrtle Cruz, Incorporated, Municipal Accounts & Consulting, LP and Phelps, Horne, Sanderson & Associates, P.C. Director Vallery then inquired of the attorney about an information sheet to be provided to the bookkeepers to identify information that should be submitted for the Board's review. After discussion, upon motion by Director Saxe, seconded by Director Moore, the Board voted unanimously to authorize the attorney to write letters to the three firms providing information that should be included in proposals for bookkeeping services.

10. The Board reviewed a report prepared by Arbitrage Compliance Specialists concerning the District's Series 2006 bonds. No action is required of the District, and there are no funds subject to rebate from the bond issue.

11. The Board reviewed correspondence received from WCA Waste informing the District of an increase in costs resulting from the Consumer Price Index. The charge per connection will increase by \$0.38 per connection per month. This will amount to approximately \$16,000 per year.

12. The Board reviewed correspondence received from J.R. Moore concerning the District's preliminary appraisal roll for 2011. The tax assessor/collector reports that taxable values will decrease by approximately 2% for 2011.

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



Secretary