

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
August 8, 2011

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on August 8, 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 Alli, Director

and the following absent:

None

Also present were Jason Hajduk, Bill Russell, Mike Williams, Cory Burton, Katherine Turner, Drew Masterson, Officer Jacobs, Susan Eby and Lori G Aylett

1 Minutes of the meeting held on July 11, 2011 were presented and reviewed Upon motion by Director Alli, seconded by Director Smith, the Board voted unanimously to approve the minutes as presented.

2 Officer Jacobs presented a law enforcement report During the month there were three burglaries, one robbery, five thefts, four accidents, 12 disturbances, 12 criminal mischief incidents, seven misdemeanor assaults, 109 traffic enforcement actions, one family violence call, four intoxicated persons, and two drug calls After discussion, upon unanimous vote, the Board approved the law enforcement report as presented

3. Bill Russell presented a bookkeeper's report, a copy of which is attached. After payment of bills at this meeting, the debt service fund balance stands at \$2,206,181.36 The capital projects fund balance is \$147,032.85. The general fund balance is \$765,059.87 The Board reviewed a budget comparison report and noted that the District had net revenues of \$29,088.79 for two months of the fiscal year After discussion, upon motion by Director Smith, seconded by Director Alli, the Board voted unanimously to approve the bookkeeper's report and to authorize payment of bills listed thereon Upon motion by Director Smith seconded by Director Alli, the Board voted unanimously to approve director fees and expenses as presented.

4 Mike Williams presented an operator's report The District collected revenues of \$296,093.78 for services provided during the month There are 3,788 connections in the District, of which 3,535 are customers receiving all District services There are 59 vacant homes. The District accounted for 100% of water produced Ten bacteriological samples were taken, and all were satisfactory The wastewater treatment plant operated properly at 70% of

permitted flow, and there were no permit violations. One irrigation tap was made during the month, and 18 taps have been made for the year to date.

Mike Williams presented a list of six delinquent accounts proposed to be written off as uncollectable, as the customers have left the District and could not be located. After discussion, upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to authorize write-off of the listed accounts.

The Board briefly discussed the District's Drought Contingency Plan and water conservation measures. The operator recommended that the District maintain its drought contingency level at Stage 1 in accordance with the plan. The Board briefly discussed the educational efforts that need to be made to address violations of the Drought Contingency Plan. After discussion, upon unanimous vote, the Board approved the operator's report as presented.

5 Mike Williams presented a report on the Imperial Oaks Parks maintenance. The operator cut down two dead trees behind the north Imperial Park. There were 14 calls for use during the month, including eight calls for the pavilion and five calls for the ballfields.

6 The Board reviewed the Preliminary Official Statement and Official Notice of Sale of the \$3,850,000 Unlimited Tax Bonds, Series 2011A. The District's financial advisor, Drew Masterson of First Southwest, presented the Preliminary Official Statement for the Board's review. He noted that the document is a disclosure document, but also serves as a marketing tool. The District is required to disclose everything about the District that would be material to an investor of the bonds. The District will use a competitive sale process and is scheduled to receive bids on August 29, 2011 at 2.00 p.m. Mr. Masterson noted that it was an advantageous time to borrow money for public purposes, as interest rates are at historic lows. The financial advisor reviewed the document in detail with the Board. After full discussion, upon motion by Director Saxe, seconded by Director Smith, the Board voted unanimously to adopt the attached Resolution Authorizing Issuance and Distribution of the Preliminary Official Statement as presented and further authorized publication of the notice of sale of the bonds.

7. There was presented the attached Resolution Authorizing the District's Financial Advisor to Bid on the \$3,850,000 Unlimited Tax Bonds, Series 2011A. The attorney noted that the District is required to authorize First Southwest in writing if it wants to obtain a competitive bid from them for the District's bonds, since they also act as the District's financial advisor. Upon motion by Director Smith, seconded by Director Allie, the Board voted unanimously to approve the resolution as presented.

8 The Board reviewed the proposed tax rate for 2011 with the District financial advisor. The financial advisor presented his tax rate recommendation indicating a debt service tax rate of \$0.53, up from the \$0.50 adopted in 2010. He noted that this was exactly the rate that was discussed with voters during the bond election process. The Board also reviewed the maintenance and operation needs of the District, and the financial advisor noted that a maintenance and operations rate of \$0.092 would meet the District's anticipated budgetary needs. After full discussion, upon motion by Director Smith, seconded by Director Allie, the Board voted unanimously to authorize publication of a proposed 2011 tax rate of \$0.53 per \$100.

for debt service and \$0 092 for maintenance and operation, giving a total tax rate of \$0.622. The Board scheduled a public hearing on August 29, 2011 to discuss adoption of the proposed rate.

9. Jason Hajduk presented an engineer's report The wastewater treatment plant clarifier addition project is complete, including the punch list The engineer presented a letter of substantial completion and recommended payment of pay application no 9 and final in the amount of \$110,156 90 to the contractor, N&S Construction.

With regard to the Phase I Sanitary Sewer Rehabilitation, the engineer has completed the contracts, and they are ready for the Board's signature

With regard to the proposed bond issue, the District received an addendum to the TCEQ staff memorandum removing the escrow requirement for Water Well No. 3 construction. With regard to Water Well No 3, the design is complete The engineer requested Board approval to advertise for bids

With regard to the Water Well No. 3 transmission line, plans are complete except for recordation of the transmission line easement. The engineer investigated property ownership and determined that the areas where the transmission line is proposed for placement are owned by the Property Owners Association, the District, and the developer The engineer requested authorization to do survey work and coordinate with the Board president and the Property Owners Association to have easements prepared and executed before the next meeting

With regard to the ground storage tank replacement at Water Plant No 1, the engineer has received agreement from CenterPoint to relocate the power lines. To relocate the lines, the District must sign a facilities extension agreement and a consent to encroachment application. The District will be required to pay an application fee and survey exhibit, as well as the cost of line relocation, which is \$17,500 The consent to encroachment application fee is \$500, and the engineering fees to prepare the survey exhibit are estimated at \$1,500. The operator and Board members requested that the engineer clarify how long power will be disconnected during the relocation project After discussion, upon motion by Director Moore, seconded by Director Saxe, the Board voted unanimously to authorize advertisement for bids for Water Well No. 3 Upon motion by Director Smith, seconded by Director Alli, the Board voted unanimously to approve the conveyance of easements on District property for the Water Well No. 3 transmission line and coordination with the developer and the Property Owners Association for conveyance of their easements to the District. Upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to authorize payment of \$17,500 to CenterPoint for relocation of the power lines Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to authorize payment of \$1,500 fees for surveying and \$500 consent to encroachment application fees in conjunction with the same project. Finally, upon motion by Director Smith, seconded by Director Alli, the Board voted unanimously to authorize payment of pay estimate no 9 and final for the wastewater treatment plant clarifier addition and to accept the project as substantially complete.

10 The Board reviewed proposals for bookkeeping services. Susan Eby of Phelps, Horne, Sanderson & Associates, P C presented the bookkeeping proposal of their firm Her firm proposed a base fee of \$2,500. She discussed her experience as a bookkeeper and her

qualifications in the area of governmental accounting. The Board thanked her for her presentation, and she exited the meeting.

Next the Board considered the presentation of Cory Burton and Katherine Turner of Municipal Accounts & Consulting, L.P. They proposed a base fee of \$1,750. They stated that their firm has been doing governmental accounting since 1998, and their forte is the active management of the District's investments to secure the best possible yields in compliance with the Public Funds Investment Act. The Board thanked them for their presentation, and they exited the meeting.

The Board next considered the proposal of Bill Russell of Myrtle Cruz, Inc. He noted that his firm was proposing a base fee of \$2,250. They have been the District's bookkeeper for 31 years. Mr. Russell noted that Myrtle Cruz, Inc. valued the District's business, and thus their proposal contained a 4% reduction. Mr. Russell discussed his proposal and his firm's experience. The Board thanked him for his presentation, and he exited the meeting.


The Board reviewed the proposals in detail. Upon motion by Director Saxe, seconded by Director Alli, the Board voted unanimously to accept the proposal of Myrtle Cruz, Inc. for provision of bookkeeping services to the District.

11. The Board considered the attached Order Adopting Investment Policy. Lori Aylett noted that changes to the Public Funds Investment Act required the amendments to the District's investment policy. The District's investment officer will now be required to monitor the investment grade of District investments and to take actions to liquidate any investments that do not maintain their required investment grade. In addition, the District's auditor will be required to annually review the District's compliance with investment policy and controls. Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to adopt the order as presented.

12. The Board considered the ballots for a director of Montgomery Central Appraisal District. The Board reviewed the qualifications of the nominees. Upon motion by Director Saxe, seconded by Director Alli, the Board voted unanimously to cast its 23 votes for Gregory Grant.

13. The attorney presented copies of the District's arbitrage analysis reports. The Board noted the necessity to engage Arbitrage Compliance Specialists to perform the required arbitrage rebate analysis on the District's outstanding bonds. Upon motion by Director Smith, seconded by Director Saxe, the Board voted unanimously to approve the proposals for the necessary reports as presented.

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


Secretary