

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

June 11, 2018

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met at 27316 Spectrum Way, Oak Ridge, Texas, on June 11, 2018, 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
James Ridgway, Director
James Nichols, Director

and the following absent:

None.

Also present were Bill Russell, Mike Williams, Jason Hajduk, Drew Masterson, Kathryn Nichols, Sergeant Washington, Kerry Masson, Paul Green, George Easton, 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 May 14, 2018 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Sergeant Washington presented a law enforcement report and reported the following statistics: there were 25 District calls; 362 contract calls; 228 traffic contacts; 34 reports taken; one felony arrest; seven misdemeanor arrests; 12 crashes; and nine charges filed. Sergeant Washington reported there were several alarms and car burglaries, and he noted that it was common for crimes like these to increase in the summertime. Sergeant Washington reported the suspects who were apprehended after the Verizon store robbery had been involved in the robberies of other cell phone stores, so the officers were able to solve several cases with one apprehension.

3. There were no citizen comments for Board consideration.

4. Kerry Masson addressed the Board regarding the San Jacinto River Authority's Groundwater Reduction Plan Committee and the SJRA's litigation with the City of Conroe. Mr. Masson first noted that he is the east side representative of the MUD's on the SJRA GRP Committee. The SJRA actually has two lawsuits pending. The first one relates to a major water transmission line break in The Woodlands. The line broke soon after its completion, and estimated damages to the SJRA exceed \$1 million. The second litigation with the City of Conroe, which has for two years has refused to pay the full amount of the rates assessed by the SJRA GRP for water. It is the SJRA's position that the City of Conroe is in breach of their GRP contract. Mr. Masson stated that he believes the SJRA will prevail in the litigation, but he

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wanted to be clear that if the SJRA does win the lawsuit, it will not be issuing a refund. Instead, the SJRA will finally be able to fund the reserves that it needs. The SJRA is currently operating with very thin reserves, and the SJRA has made operational adjustments in an attempt to balance the budget. Mr. Masson also reported that the SJRA GRP had recently addressed its rates for the coming year, and those rates will remain the same. The Board discussed the issue of the SJRA litigation with the City of Conroe. Some Board members noted that the ongoing litigation between the City of Conroe and the SJRA was impacting the rates charged to the District and consequently its rate payers since charges are passed on to District customers. Lori Aylett noted that if the Board wanted to take a more active role in this matter, it could consider filing an amicus brief with the court requesting that the court take action to resolve the dispute between the SJRA and the City of Conroe. The Board requested that the attorney begin work on an amicus brief and approach neighboring Southern Montgomery County MUD about sharing the costs.

A resident addressed the Board and complained about having black water in his toilet. The operator stated that he would investigate the matter.

5. Bill Russell presented the bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$1,408,934.52. The capital projects fund will stand at \$91,976.22. The general fund will stand at \$3,124,269.22. Revenues exceeded expenses for 12 months of the fiscal year by \$38,268. Director Ridgway mentioned the upcoming AWBD conference and requested that the Board approve the expenditures associated with his attendance. Director Ridgway reported that conference registration would cost \$400 plus the cost of hotel accommodations and food. After discussion, the Board authorized Director Ridgway to attend the conference. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of the District's bills.

6. Mike Williams presented an operator's report. The District billed \$276,115.36 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 3,820 customers, and 3,598 customers received all services including garbage. The sewage treatment plant operated at 68% of capacity with no permit violations.

The operator requested write-off of five accounts in the total amount of \$454.80. After discussion, upon unanimous vote, the Board authorized the operator to write-off the accounts as uncollectable.

The operator reported an issue with low pressure caused by a malfunction that has since been repaired.

Mike Williams next reported on a customer complaint received via letter to the Board. The customer received their first water bill, and the customer's meter had reflected usage of 53,000 gallons in one month. The customer reported that their irrigation system had been shut off and stated their belief that the operator did not read the meter correctly. According to a technician from the operator's office who visited the customer, the customer informed them that they had a toilet leak, which was since repaired. The customer is a new resident, and their belief

is that the District's first meter read was not correct. Jon Vallery stated his opinion that he was unwilling to adjust the bill because the operator has confirmed that the meter read is accurate, and the customer told the technician that they had a toilet leak. Other Board members noted that there could have been an issue with the first meter read, and the customer was new to the District. Considerable discussion on the proposed adjustment ensued.

Director Ridgway then reported that a different resident had approached him with the belief that their water usage had been estimated for several months. That customer believed that they were issued a "catch up" bill. According to Director Ridgway, the second customer admitted that the total amount of water was used over a period of several months, but the customer believes that the District erroneously reflected the usage all in one month and therefore applied a higher rate to the upper tier of usage. Considerable discussion on this request also ensued.

The Board returned to the first request presented by the operator. After discussion, upon a vote of 4-0, with Director Vallery abstaining, the Board approved an adjustment of the customer's bill to 23,000 gallons.

Discussion regarding the customer complaint presented by Director Ridgway then resumed. Director Ridgway made a motion to adjust that customer's bill down to the price for the lowest tier of water usage. The motion died for lack of second.

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

7. The Board considered a Resolution Regarding a Reduction in Electricity Consumption. The attorney reported that pursuant to state law, districts with more than \$200,000 in annual electricity expense must adopt a resolution authorizing the evaluation of electricity consumption, establishing goals for reduction, and identifying cost-effective measures for electricity reduction. Adopting the resolution will keep the District in compliance with the law. After brief review and discussion, the Board unanimously approved the attached resolution as presented.

8. Mike Williams presented a parks and recreational facilities report. There were 18 calls regarding issues in the parks. Six calls were for the pavilion, nine calls were for the ball fields, and three calls were received for information.

Mr. Williams reported that he removed a dead deer in the park. Mr. Williams reported he is working on getting bids for the soccer field repairs. The realtor who requested and received approval to hold an event at the park did not conduct the event. Director Ridgway mentioned that there are some missing pickets on the fence in the pocket park on Thorsby.

After discussion, upon unanimous vote, the Board approved the parks report as presented.

9. Jason Hajduk presented an engineer's report. With regard to the commercial water line loop project, the engineer reported that all necessary water line easements

have been recorded. The engineer presented a proposal to prepare plans and perform construction phase services and inspections for the water line project at a cost of \$29,000.

With regard to the crosswalk restriping project, there is no update.

The engineer reported that he was contacted by Director Ridgway regarding a concrete swale in Imperial Oaks Estates, Section 3 with a build up of silt. The operator cleaned out the swale at no charge to the District.

The engineer is still working on the waste discharge permit renewal application. After discussion, upon unanimous vote, the Board approved the engineer's report and the engineer's proposal for design costs for the commercial water line loop project.

10. At the operator's request, the Board returned to his report. Mr. Williams reminded the Board that the District had done substantial work to a drainage swale behind the fire station to address resident concerns about drainage issues. A customer in the area had their pool pop out of the ground as a result of flooding from Hurricane Harvey. The homeowners association notified the operator that the contractor engaged by the customer to remove the pool had accessed the customer's yard by crossing the District's drainage swale. The grass was damaged, and the operator does not yet know whether the drainage grade was affected by the contractors. The Board authorized the operator to obtain a cost estimate for repairs and authorized the attorney to direct correspondence to the resident regarding damage to the District's facilities.

11. There was no action on the SJRA Conveyance of Facilities and Easements.

12. There was no developer present, and no developer's report was presented.

13. The Board reviewed the ethics letter and update by investment officer, Bill Russell. The attorney noted that annually the investment officer is asked to disclose whether he has any personal business relationships (as that term is defined by statute) with anyone offering to engage in an investment transaction with the District. Mr. Russell submitted the required disclosure which indicated that he had no such relationships to disclose. The attorney noted that this document would be filed with the Texas Ethics Commission and in the District's records as required by law. Upon unanimous vote, the Board approved the investment officer disclosure as presented and authorized its necessary filing.

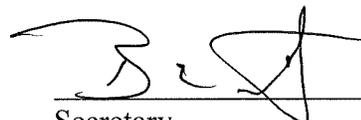
14. The attorney distributed a conflict of interest questionnaire to the Board. The Board members completed the questionnaires, noting no conflicts, and provided copies for the District's records.

15. The Board discussed the financial advisor's contract and the contract for continuing disclosure services. Drew Masterson addressed the Board and stated that he had left Hilltop Securities, Inc. in March, due to differences with management over business development. The entire public finance department of Hilltop Securities, Inc. in the Houston office has followed suit and formed the new firm, Masterson Advisors. Masterson Advisors currently has 241 districts and is a registered municipal advisor. Mr. Masterson presented a proposed contract for services and noted that the fee structure was identical to Hilltop Securities,

Inc. In addition, at a future date, there will be a separate contract for continuing disclosure, and Masterson Advisors will charge \$3,500 per year to perform that service. Mr. Masterson reported that he was monitoring the District's outstanding debt, which may be able to be refunded through a bond issue in 2019. After discussion, upon motion duly made, seconded, and carried with a vote of 4-0, with Director Ridgway abstaining, the Board voted to terminate its financial advisory contract with Hilltop Securities, Inc. and engage Masterson Advisors.

16. Under pending business, Director Ridgway asked the Board to place an item on the next agenda to discuss the possibility of using an online message board. He noted that city council members in the City of Austin used this online message board as a tool for communicating with residents. It is allowed by state law, and it gives Board members the ability to have conversations on the message board and remain in compliance with the Open Meetings Act. The Board authorized the attorney to perform some preliminary legal research on the matter and place an item on the next agenda for further discussion.

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



Secretary