

## RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

September 10, 2018

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met at 27316 Spectrum Way, Oak Ridge, Texas, on September 10, 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  
James Ridgway, Director  
James Nichols, Director

and the following absent:

Brendon Keith, Secretary.

Also present were Bill Russell, Mike Williams, Andrew Williams, Mike Others, Constable Ryan Gable, Sergeant Washington, Kathryn Nichols, Matthew Werleman, and Lori G. Aylett.

The President called the meeting to order and declared it open for such business as might regularly come before it. The President announced the meeting was being recorded.

1. Minutes of the meeting held August 13, 2018 were presented for the Board's review and approval. After discussion, upon unanimous vote, the Board voted to approve the minutes as presented.

2. Sergeant Washington presented a law enforcement report and reported the following statistics: there were 19 District calls; 416 contract calls; 270 traffic contacts; 22 reports taken; five misdemeanor arrests; 13 crashes; and eight charges filed. Sergeant Washington discussed specific crimes and police interactions with the Board.

3. Constable Ryan Gable addressed the Board and stated that he was here at the invitation of Director Ridgway to discuss the District's interlocal contract for law enforcement. He stated that from the Constable's perspective, the County is not necessarily looking to change anything about the contract, but Constable Gable wants to make sure the District has the best possible services from his office. Director Ridgway stated that he was interested in pursuing a 70% coverage contract, much like those offered in Harris County. Constable Gable stated that a 70% contract would have to be approved by the Commissioner's Court, and the Court has not yet approved that kind of arrangement. If the District does not increase the number of deputies serving in the contract, the District would save money, since the County would be contributing 30%. However, the benefit of the 100% contract is that the District gets to know all of its deputies and they get to know the neighborhood because they spend all of their time in the District. The Board noted that the District currently spends approximately \$628,000 for six deputies, one corporal, and one sergeant all of whom are required to spend 100% of their time in the District (unless there is an emergency). Director

Ridgway stated that he wanted to commit the same amount of resources and get more coverage from the deputies. Constable Gable stated that his relationship with the District was of utmost importance to him and he believes that the two parties have benefited from the contract. He noted that the eight members from the Constable's Office spend all of their time in the boundaries of the District. The benefits to the neighborhood are quick response time and neighborhood policing. Since 2012, the Constable's Office has responded to 21,587 traffic stops, 516 vehicle crashes, 50 burglaries, 138 burglaries of motor vehicle, 197 felonies, 712 misdemeanors, 90 assaults, 218 family disturbances and 269 thefts. Director Ridgway asked how the Board could quantify the County's participation above and beyond the dollars spent. He also stated that it was impossible to prove but he suspects that the nearby neighborhoods get the benefits of the District's interlocal contract. Director Vallery noted that he was very satisfied with the District's current contract and the levels of services provided by 100% coverage. The Board thanked Constable Gable for his presentation. The attorney noted that the contract renews on a automatic basis unless the Board takes action to terminate or revise the contract. The Board noted that they were very satisfied with the services and took no action to make changes.

4. Matthew Werleman gave an Eagle Scout project presentation to the Board. He stated that his idea was to construct benches on the baseball field. To execute the plan, he will need three days: one day to cut materials, the second day to assemble, and the third day to install. He would obtain the assistance of Troop 895 and family members and friends. He estimated the cost to be \$640 to \$800 for materials. Engineering representative Andrew Williams noted that the District would need to have a letter of no objection from the pipeline company to construct the benches, and the engineering firm had handled such documentation in the past. Upon motion duly made, seconded and unanimously carried, the Board approved the expenditure of up to \$800 for the Eagle Scout project and authorized the District operator to construct a foundation if necessary, all contingent upon the engineer's receipt of approval from the pipeline company.

5. Shannon Waugh of Off Cinco presented a proposed contract amendment to provide for audio streaming and audio recording. She noted that it was approximately \$25 per month less to record and then post the meetings versus live streaming them. Prices also include the purchase of an IPod to be configured for audio recording or audio streaming. Upon unanimous vote, the Board authorized the purchase of an IPod and a proposal to provide for audio recording of the District's meetings.

6. The President opened a public hearing on the proposed 2018 tax rate. The attorney confirmed publication of the proposed tax rate. The proposed tax rate was \$0.51 per \$100 assessed valuation. No members of the public wished to address the Board regarding the proposed tax rate, and the President declared the public hearing closed. There was presented the attached Order Setting Tax Rate, Approving Tax Roll, and Levying Debt Service Tax and Maintenance and Operation Tax for the Year 2018. The order reflected a debt service tax rate of \$0.36 and a maintenance and operations tax of \$0.15. Upon unanimous vote, the Board approved the Order as presented.

7. There was presented the Amendment to Statement of Directors Furnishing Information Required by Section 49.455(b), Texas Water Code, as Amended. The attorney noted that the Amendment to Statement of Directors is updated anytime the District adopts a new

tax rate and is filed in the real property records of Montgomery County. Potential purchasers of property are on notice that they are located in a water district and they are on notice as to the current tax rate of the District and other related District information. Upon unanimous vote, the Board approved the Amendment to Statement of Directors as presented and authorized its execution by all Board members present.

8. There were no citizen comments for Board consideration.

9. Bill Russell presented the bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$1,179,966.39. The capital projects fund will stand at \$91,976.22. The general fund will stand at \$2,981,068.17. Expenses exceeded revenues for the first three months of the fiscal year by \$85,012.47. The bookkeeper reported that the District has seven months of reserve. The bookkeeper reported that 2017 taxes were 99.4% collected. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of the District's bills.

10. Michael Others presented an audit of the District's books and records for the fiscal year ended May 31, 2018. He stated that his firm was issuing an unmodified "clean" opinion. He reviewed the audit and the management discussion and analysis with the Board in some detail. Mr. Others reported that expenses exceeded revenues by <\$119,691>. He also reported that he would like to see six to twelve months of operating reserves for the District, and the District is currently at seven months. After review, upon unanimous vote, the Board approved the audit and authorized its filing as required by law.

11. There was presented the attached Resolution Affirming Review of Investment Policy, Strategies and Objectives. The attorney noted that pursuant to the Public Funds Investment Act, the District is annually required to review its investment policy to assure its compliance with Texas law. The attorney recommended no revisions at this time to the investment policy, and the auditor's report noted no deficiencies with respect to how the District's investments are handled. The attorney noted that she would be recommending changes to the investment policy after she completed her review of new legislation. Upon unanimous vote, the Board adopted the resolution as presented.

The attorney reviewed with the Board a list of qualified brokers in connection with review of the investment policy, strategies and objectives and the District's audit. No changes were recommended to the broker list provided by the bookkeeper, and upon unanimous vote, the Board approved the broker list as presented.

12. The Board noted the necessity to authorize preparation of continuing disclosure documents. The attorney noted that the District is required by federal securities law to update certain financial information that would be of interest to bondholders of the District. In previous years, the District had engaged the financial advisor to perform the necessary continuing disclosure obligation. The Board reviewed a proposed contract with Masterson Advisors to perform continuing disclosure services. Upon unanimous vote, the Board engaged Masterson Advisors and authorized them to prepare and file the necessary continuing disclosure in accordance with their contract.

13. Lori Aylett explained the requirements of House Bill 1378 enacted by the Texas Legislature in 2015. Effective January 1, 2016, districts are required to provide certain financial information to the Comptroller of the State of Texas for posting on its website. The district may comply with the requirements of House Bill 1378 by submitting its approved audit. Upon unanimous vote, the Board authorized the attorney to make the required submission pursuant to House Bill 1378.

14. The Board considered review of the District's investments for compliance with Senate Bill 253. The attorney reminded the Board that Senate Bill 253 prohibits the District from investing with entities that support terrorist organizations. The District's investment officer must periodically review a list of such entities that is prepared by the Texas Comptroller of Public Accounts and made available on their website. The Board authorized the investment officer to perform periodic reviews to confirm compliance with Senate Bill 253.

15. Mike Williams presented an operator's report. The District billed \$371,992.56 to customers for services rendered. The operator took 10 bacteriological samples, all of which were acceptable. The District accounted for 94% of the water produced. The District served 3,820 customers, and 3,605 customers received all services including garbage. The sewage treatment plant operated at 70% of capacity with no permit violations.

The operator requested write-off of eight accounts in the total amount of \$1,038.70. After discussion, upon unanimous vote, the Board authorized the operator to write-off the accounts as uncollectable.

The operator read a letter from a customer requesting relief. The customer believes her meter is reading incorrectly. The operator stated he has checked the meter and it is accurate. The customer did have a leak, and the operator adjusted her sewer charge in accordance with the Board's usual policy. The Board did not authorize any further adjustment.

The operator reported that by next month, all entrances to the District will be marked with "Superior Water Status".

The Board discussed the possibility of employing winter averaging of the bills. Director Ridgway stated that according to his research, winter averaging appears to incentivize water conservation. However, the Board discussed the revenue loss that would be associated with using winter averaging. Given the review of the District's audit and the District's financial position, it did not appear that reducing a revenue source at this time would be prudent. The Board therefore took no action on the subject of winter averaging.

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

16. Mike Williams presented a parks and recreational facilities report. There were 14 calls regarding issues in the parks. Seven calls were for the pavilion, six calls were for the ball fields, and one call was received for information.

17. Andrew Williams presented an engineer's report. The engineer requested and received authorization to advertise for bids for the commercial water line loop. The engineer reported the waste discharge permit application is administratively complete.

The engineer reported receipt of an email from an owner of an undeveloped tract in the District. The engineer will review the proposed plans for development and report to the developer and the Board.

Upon unanimous vote, the Board approved the engineer's report as presented.

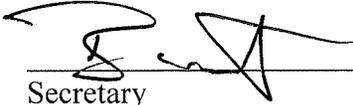
18. The attorney reported on the status of the amicus brief filed by the law firm on behalf of the District and Southern Montgomery County MUD. Within one week of filing the amicus brief, the court rendered a decision on the matter. The opinion is 47 pages, addresses three separate appeals and is a split decision for the SJRA and the cities. The opinion held certain interim claims by the SJRA regarding the legality and validity of the GRP contract and the rates are properly the subject of the Expedited Declaratory Judgment Act and therefore may be resolved in Travis County. The opinion held that claims that would result in GRP customers being held liable for breach of the GRP contract are beyond the scope of the Expedited Declaratory Judgment Act. This means that the SJRA will be entitled to a binding expedited trial on the legality and validity of its 2017 rates. The SJRA will have to address whether the cities and private utilities have breached the GRP contracts in response to and likely as a counter claim to the cities' lawsuits in Montgomery County. It was the opinion of Paul Radich that the parties will likely petition the Texas Supreme Court to review the Appellate Court's decision. The attorneys will continue to monitor the appeal.

19. The Board tabled the contract for out-of-district service with Kadiwal Investments. The attorney stated that she had drafted revisions to the contract, but the engineer had just received it and had not yet had an opportunity to review.

20. Under pending business, the attorney reported that she had provided information to the District's insurance carrier regarding the homeowner claim for damages due to a water line repair. The attorney also responded to a Public Information Act request from a company seeking a list of vendors from the District.

Under pending business, Director Ridgway asked if the website consultant could provide email addresses. The attorney will check with Off Cinco to confirm.

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

  
Secretary