

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
May 13, 2019

The Board of Directors (“Board”) of Rayford Road Municipal Utility District (“District”) met at 27316 Spectrum Way, Oak Ridge, Texas, on May 13, 2019, in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Jon Vallery, President
Brendon Keith, Secretary
James Ridgway, Director
Glenn Kourik, Director

and the following absent:

Frank Moore, Vice President.

Also present were Bill Russell, Mike Williams, Jason Hajduk, Sergeant Glen Arnold, Ron Kelling, Matt Corley, Christie Leighton, Matthew May, 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. The President read the following announcement of recording and publication of recording on the District’s website: “The District records its meetings and at the conclusion of the meeting posts the recording on the District’s website. The audio recording can be found under the ‘Meetings’ tab of the website, www.rayfordroadmud.com. Members of the Board of Directors and attendees of the Board meeting may also be recording the meeting.”

2. Minutes of the meeting held April 8, 2019 were presented for the Board’s review and approval. After discussion, upon unanimous vote, the Board voted to approve the minutes as presented.

3. The Board reviewed a law enforcement report and the following statistics: there were no District calls; 433 contract calls; 449 traffic contacts; 91 reports taken; three felony arrests; 12 misdemeanor arrests; no crashes; and 15 charges filed. Sergeant Arnold reported signage was installed at Kaufman Elementary School prohibiting nearby street parking during school hours. The new vehicles have been purchased but not yet received. Director Ridgway asked if there is a way to track the location and time of crimes via existing software in use by the Constable’s Office. Sergeant Arnold noted that he did not know but would check.

4. The Board next reviewed the notice received from Best Trash regarding the annual CPI adjustment assessed pursuant to their residential solid waste collection agreement with the District. Christie Leighton presented the request of Best Trash for an adjustment in addition to the automatic CPI increase. Christie Leighton noted that the CPI increase is 5.1%, which would bring the District’s monthly charge per customer from \$15.41 to \$16.20. Best Trash is seeking an additional \$0.75 per customer. The attorney noted that the contractor is

entitled to request adjustments in addition to the CPI for unusual changes in the contractor's operations, such revised laws, ordinances or regulations; changes in location of disposal sites or changes in disposal charges; and increases in number of residential units. Such rate adjustments must be approved by the District in its sole discretion before becoming effective. However, if the District and Best Trash cannot agree to a new rate, either one may terminate the contract with 60 days' written notice. Matthew May presented information detailing why his company was seeking the increase. First of all, there have been changes in recycling costs. China used to take much of the recycling produced in the United States and gave a rebate to garbage collection firms such as Best Trash. Since China has stopped taking much of the recycling, Best Trash's costs for disposal have increased. In addition, labor and fuel costs have increased since the contract was initially negotiated. Matthew May noted that Best Trash had been the District's waste collection company for seven years. The attorney confirmed that the contractor had never requested an increase in addition to the CPI until now. The Board discussed the request in detail. The attorney noted that the District's contract currently has a term ending in 2022. The attorney also noted that Rayford's sister district Montgomery County MUD No. 115 has met but deferred any decision on the request pending Rayford Road MUD's decision. The Board members noted that they needed more information about the market for garbage collection services. In addition, the Board members wanted to discuss the matter with their constituents. It was noted that Waste Management is changing to a cart system and is giving a termination notice if the districts do not agree to use the carts. Republic Waste is not bidding new contracts. After discussion, the Board agreed to defer the request for additional compensation until next month. The Board stated that the item should be put back on the agenda and Best Trash should be invited back to the meeting for more discussion.

5. Ron Kelling and Matt Corley presented a PowerPoint presentation on the status of San Jacinto River Authority ("SJRA") groundwater reduction issues and the uncertainty created by the change in direction of the Board of the Lone Star Groundwater Conservation District and the ongoing litigation with the City of Conroe. A copy of the PowerPoint presentation is attached to the minutes. They reported that all large volume groundwater users received a letter on February 5, 2019 from Lone Star Groundwater Conservation District ("Lone Star") stating that they were in the process of settling some litigation and as a result, certain groundwater rules will be declared invalid. Lone Star also revised a proposed groundwater management plan, but the proposed plan does not have any desired future conditions, which are a requirement of state law. Lone Star has also indicated that new groundwater management rules to be implemented to align with the plan will not be in place before December of 2021. Lone Star is a voting member with four other groundwater management districts of GMA-14, which adopted desired future conditions in 2016. GMA-14 must adopt desired future conditions as a group. The SJRA gave written comments to Lone Star and opined that Lone Star's proposed management plan does not meet state law requirements because it does not have desired future conditions or enough specificity, and the incomplete plan leaves Montgomery County vulnerable to subsidence, water level declines, and other detrimental effects. Several other entities also submitted comments to Lone Star's proposed plan and the lack of desired future conditions. Lone Star ignored SJRA's comments and adopted the plan as drafted and submitted it to the Texas Water Development Board ("TWDB"), which has first authority to approve the plan. TWDB should complete its review by this Friday. If the TWDB rejects the proposed plan, Lone Star will have an opportunity to revise the plan. The Texas Commission on Environmental Quality has enforcement powers if Lone Star ultimately does not do its job in adopting a

compliant plan. Director Ridgway asked about the rates being charged by Lone Star and whether the rates should be lowered because the lawsuit regarding their rules is being settled. Mr. Smith stated that other lawsuits were ongoing. Mr. Smith also indicated that entities in Harris County were becoming concerned because they have spent considerable sums converting surface water, and now Lone Star's actions may be contributing to subsidence. Lone Star's actions have led to uncertainty because they are the regulatory body and their current intent is unknown. Their board of directors and consultants have expressed different and opposing positions. Some have indicated that property rights are paramount. Others have indicated that there is enough groundwater without requiring surface water conversion in Montgomery County. SJRA noted that if aquifer levels are allowed to decline due to increased pumpage, water users will have increased costs associated with the rehabilitating wells and lowering well pumps. The Montgomery County area can also expect to experience subsidence. The SJRA presented slides indicating that aquifer levels rebounded after SJRA began operations of its surface water plant. SJRA also presented information regarding the cone of depression on various wells and the impact of over-pumping. There is a substantial cost associated with lowering well pumps to chase declining aquifers. Mr. Smith also noted that once land subsides, it does not recover. He discussed the efforts made by SJRA to explore the Catahoula aquifer. The SJRA still has to function while the uncertainty and litigation continues. The SJRA reminded the Board that the SJRA has \$500,000,000 in assets, including a surface water treatment plant and 50 miles of surface water transmission lines. It would be irresponsible not to maintain this equipment. The SJRA plans to continue to deliver 12,000,000 gallons a day of surface water to seven participants including the City of Conroe, City of Oak Ridge North, Midsouth Energy, Montgomery County MUD 99, The Woodlands Joint Powers, Southern Montgomery County MUD, and the District. This is the lowest level of output at which the surface water plant can operate efficiently. Lone Star will continue to conduct public meetings and needs to hear from the water users. Director Ridgway commented that the City of Conroe has not paid the full SJRA rate and perhaps other entities will follow their lead. Mr. Smith noted that while Conroe was not paying the full amount, they were paying \$10 million per year. If the SJRA were to discontinue services to Conroe, the SJRA rates to other entities would have to increase even more, on the order of \$0.50 per 1,000 gallons. Director Ridgway noted that the other entities were having to subsidize Conroe's "short pay." Mr. Smith responded that SJRA is keeping track of the amount that Conroe owes, and in the opinion of SJRA, Conroe will eventually have to pay this amount. The SJRA will use that money to establish a reserve. Director Ridgway stated the opinion that SJRA should discontinue water services to Conroe to bring this matter to a quicker conclusion, even if it means that rates are increased to other entities. Mr. Smith discussed the process of contract validation and bond validation. The SJRA has issued over \$480 million in debt, and the groundwater reduction contracts in place with all the entities support that debt. Director Vallery suggested that SJRA consider curtailing delivery of water to Conroe as a way to bring them to the table. He noted that Conroe could not continue to develop without water supply. Mr. Smith stated that the SJRA will take all comments under advisement, and they are considering all options during the pendency of the litigation. The Board thanked the SJRA representatives for their presentation.

6. There were no citizen comments for the Board's consideration.

7. Bill Russell presented the bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$1,344,605.63. The

capital projects fund will stand at \$91,982.39. The general fund will stand at \$3,284,910.70. Revenues exceeded expenses for the first eleven months of the fiscal year by \$203,896.98. The bookkeeper reported the District has received over \$47,000 in FEMA revenues. 2018 taxes are 98% collected. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of the District's bills.

8. The Board then considered adoption of an operating budget for the fiscal year ending May 31, 2020. After discussion, upon unanimous vote, the Board approved the attached Resolution Adopting Operating Budget for the Fiscal Year Ending May 31, 2020.

9. The Board then considered confirmation of the previous engagement of an auditor to perform the audit for the fiscal year ending May 31, 2019. The Board reviewed an audit continuance letter from McCall Gibson Swedlund Barfoot, PLLC. The letter confirms a previously provided evergreen audit engagement letter dated May 8, 2017. The firm's proposed budget for preparation of the audit would be between \$13,250 and \$14,250. The Board confirmed the prior engagement of McCall Gibson Swedlund Barfoot, PLLC to perform the audit.

10. Mike Williams presented an operator's report. The District billed \$242,140.83 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 3,604 customers received all services including garbage. The sewage treatment plant operated at 55% of capacity with no permit violations.

The operator requested write-off of seven accounts in the total amount of \$1,120.43, and the Board concurred.

The operator reported the clarifier is out of service and the operator is trying to determine the problem.

The operator presented a draft of the 2018 Consumer Confidence Report. The report shows that the District's drinking water is compliant with all state and federal regulations. As in past years, the operator intends to send customers a notice with the unique internet address (URL) so that customers can go to the District's website and review the Consumer Confidence Report. Upon unanimous vote, the Board voted to approve the Consumer Confidence Report as presented.

Upon unanimous vote, the board approved the operator's report as presented.

11. Mike Williams presented a parks and recreational facilities report. There were 28 calls regarding issues in the parks. Seven calls were for the pavilion, 20 calls were for the ball fields, and one call was received for information. Mr. Williams reported there was one party at the pavilion for the month of April. The operator reported they removed several downed trees and cleared debris left by rainstorms.

12. Jason Hajduk presented an engineer's report. With regard to the commercial water line loop, the contractor is completing the punch list items. Regarding Phase 3 of the sanitary sewer rehabilitation project, the contractor is halfway finished televising the sewer

lines in Imperial Oaks, Section 5. The engineer reported one homeowner has claimed that sewer came out on their second floor as a result of the contractor's televising activities, but the engineer has been unable to verify this claim.

The engineer reported they met with Mr. Ali to discuss the costs associated with providing out-of-District services to Kadiwal. Mr. Ali is going to think about how he would like to move forward.

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

13. The attorney presented the annual maintenance report for the arbitrage analysis, originally dated May 7, 2008. The District has undertaken all necessary actions to comply with federal laws regarding arbitrage and rebate matters.

14. The Board discussed the AWBD summer conference schedule and attendance. Director Ridgway stated his opinion that the AWBD summer conference would be a good educational tool and Directors should attend, if possible. He stated that he wanted to attend. The other Board members stated that due to scheduling conflicts, they could not attend. Director Ridgway read the schedule for the conference and expressed his opinion that the conference would provide helpful information. Director Vallery expressed concern about the cost of sending Directors to out-of-town conferences. Director Vallery noted that there were good educational programs available at no charge in Houston. Having said that, Director Vallery stated that he would personally vote to approve mileage and hotel expenditures at the conference rate but would not vote to approve any fees of office for a Director's attendance at the conference. The other Board members agreed with Director Vallery's approach and Director Ridgway stated that he would make plans to attend the conference.

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


Secretary