

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

May 14, 2007

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on May 14, 2007, at 230 Spring Hill Drive, Suite 325, Spring, Texas 77386, in accordance with the duly posted notice of the meeting, with a quorum of Directors present, as follows:

Danny E. Agans, President
Jon Vallery, Secretary
Charles W. Venema, Director
Duane Burrell, Director

and the following absent:

Michael Smith, Vice President

Also present were Vickey Sullivan, Bill Russell, Mike Williams, Lonnie Wright, Brian Jarrard, Kevin Tokarski, Sergeant Jeff Brown, Mike McCall, Herman I. Little, Jr. and persons on the attached list.

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

1. Minutes of meetings held on April 9, 2007 and May 3, 2007 were presented and reviewed. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve the minutes of both meetings as presented.

2. Vickey Sullivan presented a tax assessor/collector's report. 2006 taxes are 95.6% collected. The tax office has received numerous requests for refunds for late granted exemptions. The Board has checks for payment of these refunds. Ms. Sullivan advised the Board that all District deposits are covered by adequate security, and Wells Fargo Bank, the depository bank, has requested Board approval of a new depository pledge agreement. After discussion, upon motion by Director Burrell, seconded by Director Vallery, the Board voted unanimously to approve the tax assessor/collector's report as presented, and the Board further voted to approve the depository pledge agreement with Wells Fargo Bank as requested by the tax assessor/collector.

3. Mike Williams presented an operator's report. The District had revenues from sale of water and waste treatment and collection service of \$140,213.97. The District had total revenues of \$164,278.96. The District accounted for 96% of water produced. Ten bacteriological samples were taken, and all were satisfactory. The operator repaired nine leaks in the water system during the month. The wastewater treatment plant operated properly with no permit violations. The plant operated at 62% of permit capacity. 18 taps were made during the month, bringing the total to 76 for year-to-date. The District has 3,652 total connections.

Mr. Williams presented a list of delinquent accounts that are uncollectible because customers have moved away from the District leaving unpaid bills. The operator recommended that the Board authorize writing-off the accounts totaling \$359.87 as uncollectible. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve writing-off the uncollectible accounts and to approve the operator's report as presented.

4. Mike Williams presented a report on the Imperial Oaks Park and grounds maintenance. Regular mowing and cleanup was accomplished during the month. There were 13 calls for use of the pavilion and 2 calls for use of the ball fields. The District will need to replace a handicap sign and to repair the globe on a light fixture at the park. The operator applied ant bait and weed killer to the ball fields and applied dirt on the T-Ball fields. The parking lot needs to be re-striped. There was discussion, and upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to authorize replacement of the globe on the light and the handicap sign and to re-stripe the parking lot as recommended by the operator.

5. The Chair called for citizen comments. Randy Rothrock addressed the Board and stated that he has complaints concerning the recent budget meeting. Director Vallery had expressed concern about other directors not paying attention to the budget or asking questions. Mr. Rothrock stated his concern about \$75,000 for office expense and wondered what the expense is. Mr. Rothrock stated that he has experience in reviewing budgets, and he would expect the Board to find out about what is being spent. Mr. Rothrock stated that the tax assessor/collector charges \$36,000 per year. J.R. Moore would charge \$500. Mr. Rothrock stated that the difference in cost is worth looking into to be sure that the District is spending \$36,000 wisely. Mr. Rothrock stated that if the tax assessor/collector could be replaced, the District could save \$36,000, and the Board should start looking into ways to cut spending. Mr. Rothrock stated that the District's Code of Ethics requires directors to file reports on expenses, and Mr. Rothrock stated that the Board should review director expenses to be sure that the rules are being followed. Mr. Rothrock stated that he wants a report about the District's spending for director fees and expenses.

6. 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 \$2,353,473.66. The capital projects fund balance is \$2,495,785.35. The general fund balance is \$493,965.73 prior to deposit of a transfer check of \$162,527.89. After eleven months of the fiscal year, the District has revenues \$182,194 below budget and expenses \$108,000 below budget. After discussion, upon motion by Director Vallery, seconded by Director Venema, the Board voted unanimously to approve the bookkeeper's report and authorized payment of bills listed thereon.

7. Bill Russell presented a proposed budget for the fiscal year ending May 31, 2008. Mr. Russell noted that revenues are expected to stay the same, but revenues from taps and inspections have been reduced because of reduced building activity. The maintenance tax revenue has been increased because of more homes constructed in the District with additional value created. Expenses for utilities have not been decreased yet because of billing problems from the new electricity providers. There was discussion, and it was mentioned that the cost of sludge hauling, chemicals and repairs and maintenance are increasing. The Board noted that the

budget is very tight with net revenues expected to be \$15,000 at fiscal year end. There was discussion of the expense for legal fees, and Mr. Russell noted that the budget for legal fees had been revised during the year. Expense of \$15,000 has been added for the 2008 election. After discussion, upon motion by Director Vallery, seconded by Director Venema, the Board voted unanimously to approve the budget for the fiscal year ending May 31, 2008 as presented.

8. Mike McCall addressed the Board and requested that the Board engage his firm to conduct the audit for the fiscal year ending May 31, 2007. Mr. McCall stated that the auditors are responding to new auditing standards that will include completion of a questionnaire for fraud. It will not be necessary for questionnaires to be submitted at this time, but the auditor will ask the Board to sign representation letters indicating that neither management nor anyone have knowledge or allegations of fraud. In response to a question by the attorney, Mr. McCall stated that the fraud questionnaire is being provided to all districts. Mr. McCall assured the Board that the auditors work very hard for the District in performing the audit engagement. After discussion, upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to engage McCall Gibson & Company as the District's auditors for the fiscal year ending May 31, 2007.

9. Kevin Tokarski presented an engineer's report. At Water Plant No. 2 a contractor reviewed the booster pump and presented a report, but no further information has been obtained and no conclusions reached regarding the cause of noise. Bids were opened for the Rayford Road improvements on April 19, 2007. The construction is expected to commence within six months. Nothing new has developed on the Robinson Road improvements. The contractor for the Sections One and Two drainage project restored electricity to the Imperial Oaks monument and sodded along Imperial Oaks Boulevard. Pay Application No. 3 and final was submitted in the amount of \$22,573.25. The engineer has reviewed the application and supporting documentation, and the engineer has issued a certificate of completion.

Mr. Tokarski noted that an AT&T cable had been obstructing a portion of the work, and it is necessary to move the cable for the next phase of the project. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve an agreement by the District to pay for the costs of relocation of the AT&T cable at a cost to the District of \$6,144.82. Mr. Tokarski reported that Chase Bank had requested a commitment of utility capacity for a bank in the Kroger Center. Capacity of 1,000 gallons per day of water and 500 gallons per day of wastewater was requested, and the engineer confirmed that the capacity is available and recommended approval. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve issuance of a utility commitment letter for the Chase Bank facility on Rayford Road as recommended by the engineer. Upon motion by Director Burrell, seconded by Director Venema, the Board voted unanimously to approve Pay Application No. 3 and final on the contract for the Sections One and Two drainage project, and the Board further voted unanimously to approve the engineer's report as presented.

10. Brian Jarrard presented a developer's report. Home sales in the District appear to be down 15% to 17% from last year, but sales remain strong in the Spring season. The Kroger site is nearing completion, and building will commence soon on the site. The Kroger store should be opening near the end of the year.

11. Sergeant Jeff Brown presented a law enforcement report. The officers responded to 6 assaults and 2 family violence calls. There was one burglary of a habitation with a known suspect, 5 criminal mischief incidents, 25 disturbances, 3 assaults and 323 total traffic contacts. There was one theft of vehicle with a known suspect, 101 community contacts, 413 calls, one felony arrest and 10 misdemeanor arrests. The officers took 248 hours of leave, and it was very busy during the month. The staff is short handed because of vacation and family leave.

In response to a question by the Board, Sergeant Brown reported that all equipment purchased by the District has been installed in the constable vehicles. The wireless internet connection is in place, and the constables have keys for access to the Section Nine clubhouse. The officers will be moving into the office in the Imperial Oaks recreation center as soon as the telephone line has been installed.

In response to a question by Director Burrell, Sergeant Brown reported that investigation has been made into possible bicycle patrols. It is estimated to cost a minimum of \$985 to equip an officer with a bicycle and necessary equipment. The officers recognize that bicycle patrols are very effective within the community on paths, trails, and other areas that cannot be reached easily by vehicles. Sergeant Brown reported that there have been recent problems with activities on the DD6 ditch. There are no specific areas of concern, but problems tend to spill over into the community. Sergeant Brown recommended that the Board authorize expenditures to outfit two officers for bicycle patrol at a total cost of \$2,620. There was discussion of possible locations for storage of bicycles. The water plant would be a possible location. There was further discussion, and Director Burrell requested that the constable get additional pricing information to keep the costs as low as possible. The bicycle patrols are needed in the District, and training will be required before officers can be bike patrol certified. A member of the audience noted that Galveston has had patrols on bicycles and Vespa scooters, and it is very effective in that city. Sergeant Brown noted that bicycle patrols would have a schedule, but the schedule would be very flexible.

There was discussion of signs to indicate that the Precinct 3 Constable patrols in the District. Director Venema reported that the District was making efforts to coordinate installation of the signs with the District signs. The signs are two feet by four feet and cost approximately \$200, plus the cost of decals. Sergeant Brown noted that the constable will provide the decals at no charge. It was mentioned that if a letter was provided by the District to the Precinct 3 Commissioner, the commissioner could install the signs at no cost to the District. Director Burrell suggested that additional signs be obtained for replacement, as necessary. It was decided that information about the signs would be provided Director Venema for distribution to board members for review.

12. Bill Russell advised the Board that he had communicated with Legacy Energy Management Solutions about consulting services for the District. No fee will be charged, and Legacy would provide a four-year energy audit. The compensation would be 35% of any amounts saved by the District. The consultant will attend a meeting to describe savings that can be provided to the District. Upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to approve the proposal for energy consulting services.

13. The Board reviewed correspondence received from Republic Waste concerning the costs of recycling services and the cost of solid waste collection services using 95-gallon containers. There was discussion, and the Board requested that Curtis Lacy be invited to attend a meeting to discuss the matter with the Board. Lorene Roy inquired as to whether the large containers will fit through a customer's gate. There was discussion of the fee of \$3.25 per connection per month for recycling services.

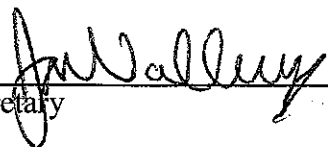
Christy Steindorf addressed the Board and stated that she had sent out a survey to members of the community about a proposal for recycling services, and 400 favorable responses were received. Only 3 unfavorable responses were received. Ms. Steindorf stated that the Board should consider the long term view. Recycling helps teach children about preservation of resources, and waste of water and materials is hurtful to society in general and is harmful to the environment. Approximately 60% of all products can be recycled. It was stated that people should be shocked and disgusted with Imperial Oaks because recycling is not available. Ms. Steindorf requested that the Board look into implementation of recycling, so the community can be doing something for the future.

A member of the audience stated that recycling should be made easy for customers. Additional information is needed as to whether sorting is required. What will the contractor accept? Are there any competing contractors that would not charge these fees? It was stated that if the community could contribute, then recycling could be more practicable. Director Venema noted that Oak Ridge North does recycling. There were further comments about the cost, which would be \$36 per year per household. After discussion, the Board expressed appreciation for the residents who attended the meeting and expressed their views. The matter of recycling and waste disposal services will be on the agenda for the next meeting.

14. There was discussion of the upcoming election of directors for the Montgomery Central Appraisal District. After discussion, the Board agreed to defer the matter until the June meeting.

15. The Board reviewed a Resolution Supporting the San Jacinto River Authority and the Lone Star Groundwater Conservation District in the development of a regional water supply system. Herman Little advised the Board that the Lone Star Groundwater Conservation District was created by the Texas Legislature to reduce the demand on aquifers in Montgomery County. The Lone Star District requires permits for wells that pump from aquifers, and the proposed work with the San Jacinto River Authority is expected to result in a water supply system to provide water from Lake Conroe for certain areas of Montgomery County. After discussion, upon motion by Director Venema, seconded by Director Burrell, the Board voted unanimously to adopt the Resolution Supporting the San Jacinto River Authority and Lone Star Groundwater Conservation District, which Resolution is attached to the minutes.

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


Secretary