

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
August 8, 2011

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on August 8, 2011 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

R. W. (Rick) Kehlenbach, President
Janet E. Frakes, Secretary
Derek D. Drawhorn, Treasurer
Kenneth W. Heussner, Asst. Secretary

and the following directors absent:

Doug McKeever, Director

Also present were Ms. Terry Woodson representing Waste Management; Ms. Claudia Redden, the District's bookkeeper; Ms. Vickey Sullivan, representing the District's tax assessor-collector; Ms. Amber Hurd, representing the District's engineer; Mr. Mark Ivy, the District's operator; and Ms. Lori G. Aylett, attorney for the District.

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

1. Minutes of the meeting of July 12, 2011 were presented for the Board's review and approval. Upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. The Board then considered election of a director to fill the vacancy in the position of Vice President. Director Drawhorn was nominated for the position, and after discussion, upon unanimous vote, the Board elected Director Drawhorn to the office of Vice President.

3. Ms. Vickey Sullivan presented the tax assessor-collector's report, a copy of which is attached. The District's 2010 taxes are 99.2% collected. Seven checks were presented for the Board's approval. The tax assessor has not yet received the certified tax values from Harris County Appraisal District. A list of proposed accounts to be written off were presented to the Board, and upon unanimous vote, the Board approved write-off of the accounts listed and approved the tax assessor-collector's report as presented.

4. Mr. Mark Ivy presented an operations report, a copy of which is attached. The District accounted for 93% of the water produced during the month. The District billed \$120,160.02 and collected \$123,772.02. The operator reported several mainline breaks and service line repairs. Two new water taps were installed. Testing on the IRIS emergency notification system began today, and the operator successfully sent 405 emails and 733 calls.

The operators of each of the respective systems ran a test of all the water systems in Bilma, Spring Creek Forest, Terra Nova West and confirmed that any one of the water plants could run the entire system during an emergency. The testing stirred up some red water because of water direction changes, and the operator fielded complaints from customers of the District. The engineer and operator are continuing to meet with Malcolm Pirnie regarding the water quality issues. Amber Hurd reported that that firm is trying to analyze the water coming into the District's plant, at fire hydrants, and at hose bibs at private residences. The engineer is also in the process of mapping the locations of complaints to see if there is a pattern to the water quality issues. The North Harris County Regional Water Authority is using the District's well as one of its sampling locations, and the operator believes that that will be positive for the District since the District will be able to have access to that data. Mark Ivy noted that the District's water demand is substantial, and the District may have to utilize water from its wells to keep up with demand.

The operator noted that for many years, D.W. Miller Maintenance has done the mowing at District plants and facilities. However, as of late, this contractor has not been cutting consistently at the water plant and facilities. In addition, the operator has no way to contact this contractor. The operator presented a proposal from Growth Services to cut the plant sites at a cost of \$420 per cut for all facilities. This proposal is competitive with what the District had been paying to the previous contractor. Mr. Ivy also noted that Growth Services was very familiar with plant sites and facilities. Upon unanimous vote, the Board agreed to terminate the services of D. W. Miller Maintenance, effective August 31, and to engage Growth Services to perform the necessary mowing.

The Board discussed certain water quality complaints. In one instance, the operator discovered that a valve had been installed backwards. The operator thought that they were turning the valve on, when in fact they were turning the valve off, creating a dead end line. Now that the operator has discovered the problem, the valve has been turned on, and this particular problem should resolve itself. The operator will continue to monitor customer complaints and will respond appropriately. Upon unanimous vote, the Board approved the operator's report as presented.

5. The Board discussed the District's contract with Bilma for interconnect facilities. The operator noted that the interconnect meter has been broken for some time. The attorney confirmed that the contract does not address ownership of the meter, which was installed by Bilma PUD. Repairs to the meter will cost in excess of \$6,000, and Bilma's operator has reported to the District's operator that Bilma is not interested in repairing the meter. The Board noted that the Bilma interconnect was seldom utilized and agreed that at this time the interconnect would be maintained as a non-metered interconnect, and if either party uses water, the amount will be estimated by the operators.

6. Ms. Amber Hurd presented the engineer's report and reported that the District has surplus bond proceeds in the amount of \$329,515, which can be made available for special projects. Ms. Hurd presented a list of such proposed projects for the Board's further review. The engineer presented change order no. 2 in the amount of \$19,523 to relocate certain electric and gas lines. The change order was made necessary when the contractor discovered a conflict between the lines and the proposed drainage connection to an existing storm sewer on Coronado Springs Drive. The excavation in the homeowner's yard has been temporarily filled.

The gas relocation will occur within 10 days of payment, but the electrical relocation will take six to eight weeks. The engineer presented pay estimate no. 2 in the amount of \$42,682.71. The engineer confirmed that the work was performed in accordance with the specifications and recommended payment of pay estimate no. 2. The engineer presented a Water Smart checklist and reported that the consultants are working on the items. Upon unanimous vote, the Board approved change order no. 2, pay estimate no. 2, and the engineer's report as presented.

7. Ms. Terry Woodson was recognized and discussed the proposed new recycling program with the Board. Ms. Woodson will provide information to the homeowner's association for their meeting tonight. If the Board chooses the carts, Waste Management will send a notice to the residents. Recycling of the items on the expanded list can begin now.

8. Ms. Claudia Redden presented a bookkeeper's report, a copy of which is attached. The bookkeeper received a check in the amount of \$15,750 for groundwater credits. After discussion, upon unanimous vote, the Board approved the bookkeeper's report and payment of bills listed thereon.

9. The Board discussed the proposed sale of 12,000,000 groundwater credits to Houston Polo Club for \$15,750 (7,500,000 Series A credits at \$1.50 per thousand, and 4,500,000 Series B credits at \$1.00 per thousand). After discussion, upon unanimous vote, the Board agreed to the sale of 12,000,000 groundwater credits to Houston Polo Club at a cost of \$15,750.

10. The Board then considered the attached Order Adopting Investment Policy to comply with recent legislative changes, and upon unanimous vote, the Order was approved by the Board.

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

Secretary