

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Special Meeting of Board of Directors
July 30, 2008

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at Spring Creek Forest Clubhouse, 17515 Fairway Oaks Drive, Houston, Texas, on July 30, 2008 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Dave Simac, Vice President
Janet E. Frakes, Secretary
Kenneth W. Heussner, Asst. Secretary
Derek D. Drawhorn, Treasurer

and the following directors absent:

R. W. (Rick) Kehlenbach, President

Also present were Mr. Mark Ivy, the District's operator; Ms. Anthea Moran, the District's financial advisor; Mr. Shawn Sharkey and Dale Conger, representing the District's engineer; Ms. Claudia Redden, representing the District's bookkeeper; Mr. Tom Roland, representing the North Harris County Regional Water Authority; the persons on the attached list; and Ms. Lori G. Aylett, attorney for the District.

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

1. Board member Janet Frakes introduced the members of the Board of Directors and the District consultants and explained the general rules for the conduct of the public meeting.

Director Drawhorn explained that the meeting had been called to give the residents an opportunity to provide input on how the District can raise funds to pay for the required chloramine conversion. The District must finance up to \$750,000 in capital improvements by September of 2009, and the project will serve all people in the District. The District does not have any bond authorization left.

Dale Conger explained why chloramine conversion is a requirement. He noted that the water coming from Houston's Northeast Water Purification Plant uses chloramines disinfection, and therefore, the District's plants will have to be converted to use this type of disinfection as well.

Lori Aylett discussed the three options for raising the required funds: 1) raise water and sewer rates; 2) increase maintenance taxes (requires an election); and 3) issue bonds (requires an election). The attorney explained that with a rate increase or a maintenance tax increase, the District would be required to obtain a bank loan not to exceed three years. The District assumed that a revenue stream of \$275,000 would be required to retire the loan. A rate

increase of approximately \$354.00 a year would be required to generate these revenues. The attorney discussed the pros and cons associated with a rate increase option.

The attorney noted that if the District chose option 2, the maintenance tax would have to be raised by \$0.187 to raise the additional money, and the average home valued at \$175,000 would pay an additional tax of approximately \$327.00 a year. The attorney discussed the pros and cons of a maintenance tax option.

If the District chooses issuance of bonds, the debt service tax rate increase would be required, and the individual homeowner would pay additional taxes of approximately \$105.00 per year for four years and \$52.00 per year for 11 years. The attorney discussed the pros and cons associated with this option.

The Board members and consultants discussed in detail with members of the public all of the options in much detail. By a show of hands, most of the residents at the meeting favored calling a maintenance tax and bond election. The Board members noted that any decision to call a maintenance tax or bond election would have to be made by August 26, 2008. The Board members thanked the community for attending the public meeting.

A copy of the Power Point presentation is attached to these minutes.

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

Secretary