

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
July 8, 2008

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on July 8, 2008 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
Kenneth W. Heussner, Asst. Secretary

and the following directors absent:

Dave Simac, Vice President
Derek D. Drawhorn, Treasurer

Also present were Ms. Claudia Redden, representing the District's bookkeeper; Ms. Pat Hall, representing the District's tax assessor-collector; Mr. Mark Ivy, representing the District's operator; Mr. Dale Conger, representing the District's engineer; Mr. John Elder, representing Legacy Group; 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 June 10, 2008 were presented for the Board's review and approval. Upon motion duly made, seconded and unanimously carried, the minutes were approved as presented.

2. The Board recognized Mr. John Elder of Legacy Group who presented a contract for electricity service for the Board's review and approval. Mr. Elder stated that electricity costs have increased dramatically in the past year, and predicting energy costs has become more challenging. Many districts are electing to enter into longer-term contracts to achieve budget certainty. Under the District's current agreement, the annual cost is \$31,000. For a one-year renewal term, the District will experience a \$10,000 increase. For a five-year renewal term, a \$6,800 annual increase can be expected. Mr. Elder reported that his company seeks proposals from reputable credit-worthy energy providers. Upon motion made by Director Frakes, seconded by Director Heussner, the Board authorized Legacy to solicit competitive bids and authorized the President to execute a three-year contract at the lowest rate. Mr. Elder also noted that his firm would provide an electricity audit to assure that no billing errors have been made on past bills.

3. Ms. Claudia Redden presented a bookkeeper's report, a copy of which is attached. The bookkeeper briefly discussed the status of her analysis of the comparison of costs to the District to allow the North Harris County Regional Water Authority to issue bonds on its

behalf versus the cost if the District issued the bonds itself to pay for the capital contributions. The bookkeeper was finding the analysis challenging because there are a number of variables in the analysis. The North Harris County Regional Water Authority charges the same pumpage fee to all entities, but for those entities that make capital contributions, the Water Authority issues a quarterly credit. The bookkeeper noted that the North Harris County Regional Water Authority began by charging a pumpage fee of \$0.12 per 1,000 gallons of water pumped. The current pumpage fee is \$0.99 per 1,000 gallons of water pumped.

The Board briefly discussed the upcoming presentation to the community. The Board thought it would be a good idea if a representative of the North Harris County Regional Water Authority could be present at the public meeting to discuss matters related to the pumpage fees and credits and answer questions from the community. The attorney will request that a representative be present. In addition, the Board agreed to conduct a special meeting at 11:00 a.m. on Wednesday, July 23, 2008 to rehearse the presentation to the community and discuss the options to present it. The attorney will attempt to contact representatives of the North Harris County Regional Water Authority to determine what future capital contributions may be requested. The District will also compute the anticipated water rate increase or maintenance tax increase that would be required to pay for the chloramine conversion. After review, the Board voted unanimously to approve the bookkeeper's report as presented and authorized payment of the bills listed thereon.

4. Ms. Pat Hall presented a tax assessor-collector's report, a copy of which is attached. The District's 2007 taxes are 96.6% collected. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

5. Mr. Mark Ivy presented an operations report, a copy of which is attached. The District accounted for 95% of the water produced during the month of June. The District billed \$73,273 and collected \$68,720. The operator reported that water well no. 1 is off line, and the District is operating from the north plant. One tap was installed during the month. The operator presented three write-offs for the Board's approval, and the Board approved write-off of the listed accounts.

6. Mr. Dale Conger presented an engineer's report, a copy of which is attached. Mr. Conger reported that further painting and drainage projects at water plant no. 1 will be deferred until he discusses the status of the surface water conversion project with the operator. In addition, the District needs to complete rehabilitation of water well no. 1 and approve final pay estimates to know what funds are available. A meeting was held with the North Harris County Regional Water Authority regarding design of the tie-in to the surface water transmission line. CFA is reviewing plans for Mike's Copy Stop, and the engineer disclosed that Mike's is also a development client of the engineering firm. The engineer attended the Bammel Regional Wastewater Treatment Plant participant meeting, and a copy of Pate Engineers' report on the status of the plant operations and engineering matters is attached to these minutes.

7. The Board discussed the request of resident Wanda Kannarr for reimbursement of the cost of a fence she had installed to conceal the District's lift station. The customer requested reimbursement of \$883.50. Director Heussner stated that it was his position that the customer installed her own private fence, and he was not in favor of the District

reimbursing her those costs. This customer had made a request some months ago for the District to replace its fence, and in fact the District had been considering expenditures of over \$20,000 to construct a District fence to conceal the lift station at the District's property line. The Board discussed the matter, and the three Board members could not reach a consensus. Accordingly, the Board agreed to table the matter until the next Board meeting to give other directors an opportunity to review the matter.

8. The Board considered an Interlocal Agreement with Harris-Galveston Coastal Subsidence District for sponsorship in the Water Wise program. In previous years, the District has sponsored half of the 120 students attending Ehrhardt Elementary School, and the proposed Interlocal Agreement would continue that Water Wise program sponsorship. Upon unanimous vote, the Board approved the Interlocal Agreement as presented and authorized its execution.

9. There was presented the attached Order Establishing Code of Ethics, Policies and Procedures for District Financial Affairs and Management. Upon unanimous vote, the resolution was adopted as presented.

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

Secretary