

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
June 10, 2008

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on June 10, 2008 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

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

and the following directors absent:

None

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 and Mr. Shawn Sharkey, representing the District's engineer; 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 May 13, 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. Ms. Pat Hall presented a tax assessor-collector's report, a copy of which is attached. The District's 2007 taxes are 95.1% collected. Four checks were presented for the Board's review and approval. Ms. Hall stated that the preliminary value from the Harris County Appraisal District shows that the District's value will be approximately \$151 million. The tax assessor presented a list of accounts to be written off, and upon unanimous vote, the Board approved the write-offs. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

3. Mr. Mark Ivy presented an operations report, a copy of which is attached. The District accounted for 98% of the water produced during the month of May. The District billed \$69,512 and collected \$58,883. The operator reported that one tap had been installed during the month. A broken main line on Spring Creek Forest Drive was repaired, and the work had to be done on a Sunday. The operator has not been able to get a second quote for construction of a concrete wall around the lift station. The operator contacted a tree service and got a bid to remove trees in the fence-line area. It will cost \$100 to take the trees down and an

additional \$250 to remove branches that are in danger of falling on District facilities. The Board authorized acceptance of Southland bid for the concrete fence, and the operator will make sure the work gets done.

The operator presented information regarding pin hole leaks in copper piping. The operator noted that the District is going to convert to a chloramines disinfection system, and the new disinfection system could possibly have an effect on copper pipes in the District. The District does not have any choice to convert, since chloramines disinfection is required for surface water. The operator presented the information, and the Board stated that they would review it. Upon unanimous vote, the operator's report was approved as presented.

4. Mr. Shawn Sharkey presented an engineer's report, a copy of which is attached. Mr. Sharkey reported receipt of Harris County plan approval of the water well rehabilitation project. The water plant no. 2 repainting project is 100% complete, and the walk-through is complete as well. The low bidder on the water plant no. 1 rehabilitation is Weisinger. Weisinger's insurance policy expires at the end of this month. A Notice to Proceed will be issued as soon as new insurance documentation is completed and received. The Board authorized the engineer to proceed with the well rehabilitation work as soon as possible.

The engineer presented estimates that the cost of the chloramines disinfection will be approximately \$325,000 per plant. The District has two water plants that will require conversion.

During the month, the engineer was contacted by a person requesting a drainage map, which the engineer provided.

The engineer was also approached by Al Pardoe, a District developer. The developer requested reimbursement for interest on a payment made to the Harris County Flood Control District for impact fees for platting in Spring Creek Heights, Section Two. The attorney will review the developer's request.

5. The Board discussed potential changes to the District's rates and charges to customers. The operator presented various scenarios to increase revenues by \$100,000, \$200,000, \$300,000 and \$400,000. The current residential rate is \$10.00 for 5,000 gallons of usage, with the next 5,000 gallons billed at \$1.00 per 1,000, the following 10,000 gallons billed at \$1.25, and anything above that billed at \$1.50. To generate \$100,000 in additional annual revenues, the minimum bill would have to be raised to \$12.50, and all the remaining increments raised by \$0.50. To raise an additional \$200,000, the minimum bill would be \$15.00, and all the remaining increments would be raised by \$1.00. To raise \$300,000 in 12 months, the monthly minimum would be \$17.50, and the remaining increments would be raised by \$1.50 per 1,000. To raise \$400,000, the minimum monthly bill would be raised to \$20.00, and all of the remaining increments would be increased by \$2.00 per 1,000. A customer with an average usage of 15,000 gallons would see their monthly bill increase from \$71.25 to \$83.75 (to produce \$100,000 in additional District revenues); \$96.25 (\$200,000); \$108.75 (\$300,000); or \$121.25 (\$400,000).

The Board discussed the District's fund balances in detail. The Board decided that it would be best to have a meeting with the District residents to discuss various funding

options for the upcoming chloramines conversion. The District can either raise funds through a water and sewer rate increase; a maintenance tax rate increase, which would require an election; or through the issuance of bonds, which would also require an election. The Board authorized Director Frakes to locate a suitable meeting place and establish a date that works for all of the consultants and directors. Director Drawhorn was authorized to prepare a newsletter with input from Board members and consultants to be forwarded to the community in advance of the public meeting.

6. The attorney for the District discussed with the directors the requirement to complete Open Government Training. Directors Heussner and Frakes acknowledged receipt of the memorandum regarding the training.

7. The attorney discussed with the Board the District's Code of Ethics policy, and the Board agreed to defer consideration of this item to the next meeting.

8. Ms. Claudia Redden presented a bookkeeper's report, a copy of which is attached. The bookkeeper gave an investment officer disclosure which stated that she has investments for her personal account with Wells Fargo Bank. The Board acknowledged the disclosure and agreed to file a copy with the Texas Ethics Commission as required by law. After review, the Board voted unanimously to approve the bookkeeper's report as presented and authorized payment of the bills listed thereon.

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

Secretary