

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
May 13, 2008

The Board of Directors (“Board”) of Spring Creek Forest Public Utility District (“District”) met at 1100 Louisiana Street, Suite 400, Houston, Texas, on May 13, 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 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. Shawn Sharkey, representing the District's engineer; 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. Minutes of the meeting of April 8, 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 Vice President of the Board executed Certificates of Election confirming that the May 10, 2008 director election had been cancelled and that Directors Frakes and Heussner had been declared elected to serve a four-year term. Both of the elected directors executed letters of qualification, and these documents were accepted by the Board for qualification of these directors. Directors Heussner and Frakes completed the Statement of Elected Officer and Oath of Office, which were accepted by the Board.

3. The Board of Directors voted to maintain the same officers.

4. The Board discussed disclosure of conflicts of interest for newly elected directors. The directors completed questionnaires which indicated that no conflicts existed, so no disclosure statements were required to be filed at this time.

5. The Board discussed the Open Meetings and Public Information Act Training for newly elected directors and agreed to defer this matter to next month's meeting.

6. Ms. Pat Hall presented a tax assessor-collector's report, a copy of which is attached. The District's 2007 taxes are 94.6% collected. Three checks were presented for the Board's review and approval. The tax assessor reported that preliminary values are expected by next month. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

7. Mr. Mark Ivy presented an operations report, a copy of which is attached. The District accounted for 95% of the water produced. The District billed \$64,665 and collected \$61,853. The operator presented write-offs for five accounts, and upon unanimous vote, the write-offs were approved by the Board. The operator received a call from Paul Goan in Lafone Estates. The developer had previously promised its residents that this 12-lot subdivision would be included in Wimbledon Homeowners Association, but it has not been done. Mr. Goan, a resident of Lafone, requested that the District assume responsibility for the street lights. The electricity bill for the lights is approximately \$95.00 per month. The Board discussed whether to assume responsibility for street lights in that area. The Board noted that if it assumed responsibility for street lights in one area of the District, it could soon be asked to assume responsibility for street lights in other areas in the District. The Board requested that the operator contact Mr. Goan and ask him to explore other avenues for payment for electricity for the street lights in Lafone Estates.

The operator presented a bid for fencing at the lift station site. Southland Fence & Supply Company bid a price of \$11,652 to extend a proposed eight-foot tall concrete wall on two sides of the property and add chain link fencing. The price does not include tree removal. The Board questioned the expense of the fence, and the operator noted that the concrete fence really added to the cost. The operator further noted that not many fencing companies constructed concrete fencing. The Board instructed the operator to obtain more bids for consideration. Upon motion made by Director Frakes, seconded by Director Drawhorn, the Board voted unanimously to authorize the operator to obtain the necessary bids and award the fence construction project for a cost not to exceed \$11,652. Upon unanimous vote, the operator's report was approved as presented.

8. The Board considered a proposed License Agreement with Cynthia and Cecilio Miranda for use of an abandoned road owned by the District that previously used to access the sewage treatment plant site. Director Heussner suggested certain revisions to the License Agreement to eliminate the District's responsibility to install any fencing on the site. The Board also noted that the engineer should prepare a new Exhibit C to the agreement more closely identifying the license area. Upon unanimous vote, the Board approved the License Agreement with Cynthia and Cecilio Miranda and authorized the execution thereof by the Vice President. The Board further authorized the attorney to contact the landowners at 6503 Twin Leaf to see if they would be interested in entering into a similar license agreement for the portion of the District's abandoned road that abuts their property.

9. Mr. Shawn Sharkey presented an engineer's report, a copy of which is attached. Mr. Sharkey reported that bids were received for the water well rehabilitation project. The low bidder was Weisinger in the amount of \$312,428, but this bid is a worst case scenario involving all possible alternates. The Board members asked the engineer why they had not just performed an initial television inspection of the well before preparing plans and specifications

for the entire rehabilitation project. It has been the experience of the operator and the attorney that once one well driller comes onto the site to pull and televise the well, other well drillers often do not bid on subsequent repair work. The Board reviewed bid tabulations for the water well rehabilitation. The Board discussed concerns with the various well drillers and their proposals. The Board noted that the key to the job would be oversight by the District's engineer throughout the project. The operator stated his desire to be closely involved when the television survey work is performed. After a complete review and discussion, upon motion made by Director Drawhorn, seconded by Director Frakes, the Board voted unanimously to award the contract for water well rehabilitation to Weisinger for the amount bid.

The engineer reported receipt of approval from CenterPoint and Southwestern Bell for the plans for the painting and drainage project at water plant no. 1. The engineer estimated costs for the painting improvements of \$121,000 and drainage improvements at \$103,500. The engineer recommended that the Board authorize advertisement for bids for the two projects, and the Board concurred.

The engineer reported that the water plant no. 2 repainting job has been closed out, and the check has been issued.

The Board reviewed correspondence from Bilma Public Utility District. Bilma has stated that it ceased to use its water well no. 1 on April 24, 2008 and does not have plans to re-work it due to arsenic concentrations and the upcoming conversion to surface water in early 2010. Bilma continues to operate water well no. 2 which has sufficient capacity to serve its residents, but Bilma was notifying the District that its backup plan was to request additional water supply capacity through emergency interconnect agreements, if necessary. The operator noted that the District has an emergency interconnect agreement with Bilma, but with the District's own well problems, it is not in a very good position to provide primary backup assistance to Bilma. The attorney will draft correspondence to Bilma PUD advising them that Spring Creek Forest PUD is not dependable as a primary emergency water supply, and they should continue to look to their other interconnect partners.

The Board also discussed receipt of correspondence from the North Harris County Regional Water Authority. Because the District does not have any bonding authority, it will have to pay its share of the capital costs of providing surface water through the ever-increasing pumpage fee assessed by the North Harris County Regional Water Authority. If the District had funds available, its capital contribution share this year would be over \$1 million. The Board discussed the fact that it might be useful to conduct a community meeting to discuss the upcoming rate increases with the residents. The bookkeeper will work on a calculation to determine whether it would be more cost effective if the District could issue bonds to pay its capital contribution share.

The District will also need to convert to a chloramines disinfection system to receive surface water from the North Harris County Regional Water Authority. The engineer will bring cost estimates for the conversion to next month's meeting, but he anticipates that it may cost up to \$200,000 per water plant. The District will have to consider a rate increase to its residents to establish the necessary cash reserves to build the chloramines disinfection system.

10. Ms. Claudia Redden presented a bookkeeper's report, a copy of which is attached. The bookkeeper reported that the garbage contract has a fuel adjustment that will go into effect soon. The Board may want to amend the District's Rate Order next month. The attorney was asked to place this item on next month's agenda. 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