

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
October 14, 2008

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on October 14, 2008 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

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

and the following directors absent:

Dave Simac, Vice President
Janet E. Frakes, Secretary

Also present were Mr. Mark Ivy, representing the District's operator; Ms. Pat Hall, representing the District's tax assessor-collector; Mr. Shawn Sharkey, representing the District's engineer; Ms. Claudia Redden, the District's bookkeeper; Ms. Wanda Kannarr, a resident of the District; 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 meetings of September 9, September 27 and October 9, 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. Mr. Mark Ivy presented an operations report, a copy of which is attached. The report detailed work performed by the operator during and in the aftermath of Hurricane Ike. The District accounted for 115% of the water produced during the month of September due to the opening of the interconnect with Bilma PUD after the hurricane. The operator recommended that the District make an in-kind repayment to Bilma, and the Board concurred. Mr. Ivy reported that the fence at the lift station was damaged during Hurricane Ike and needs to be repaired. At water plant no. 1, trees and landscaping debris need to be cleaned up and hauled away. The District's property on Fairway Oaks has a tree and debris that need to be removed. The Board approved clean-up by the operator. The operator anticipates that the fuel bill to run the generator during the hurricane will be approximately \$22,000. The Board discussed the pros and cons of purchasing a natural gas generator for future use. The operator noted that they are expensive to maintain and use a lot of oil. They do have some advantages. Fuel was a major challenge after the hurricane, and this problem could be eliminated with natural gas. The lift stations at Louetta and LaFone had no power after the hurricane. The operator recommended that the Board consider a small portable generator for those stations by the next hurricane season. Bagged debris pick-up is completed, and the debris removed totaled 1380 cubic yards for a cost of

\$37,000. Two taps were installed on Spring Creek Court. The District will file an insurance claim for the well motor that was damaged during the hurricane.

The operator noted that a long-time District customer, Plants for All Seasons, paid a tap fee when they initially received service. The tap fee was paid on the basis of square footage. The physical tap is now being required to be relocated. The District's commercial tap fee is normally three times the cost of making the tap. However, Plants for All Seasons has already paid an initial tap fee. Upon motion made by Director Drawhorn, seconded by Director Heussner, the Board voted unanimously to authorize the operator to relocate the tap for Plants for All Seasons at the District's cost.

The operator was also instructed to make temporary repairs to the lift station fence to secure the site.

3. Ms. Pat Hall presented a tax assessor-collector's report, a copy of which is attached. The District's 2007 taxes are 97.5% collected, and three checks were presented for the Board's approval. FDIC deposits are now insured for \$250,000. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

4. The Board discussed the 2008 tax rate. The tax assessor collector confirmed publication of the effective tax rate calculations as previously authorized by the Board. The President opened a public hearing on the proposed 2008 tax rate. There were no comments. The Board closed the public hearing.

5. There was considered the attached Order Adopting Appraisal Roll and Setting a Tax Rate and Levying a Debt Service and Maintenance Tax for the Year 2008. Upon motion duly made, seconded and unanimously carried, the Board voted to adopt the order as presented, which order levies a debt service tax of \$0.32 and a maintenance and operations tax of \$0.15 for an overall tax rate of \$0.47 per \$100 assessed valuation.

6. There was presented the attached Amendment to Statement of Directors Furnishing Information Required by Section 49.455(b), Texas Water Code, as Amended. The attorney noted that the Amendment to Statement of Directors is filed in the Real Property Records of Harris County and informs property owners in the District that they are located in a water district and what the current tax rate is. Upon motion duly made, seconded and unanimously carried, the Board voted to adopt the amendment as presented, authorized its execution by all directors present, and authorized the attorney to file the document as required by law.

7. Mr. Shawn Sharkey presented an engineer's report, a copy of which is attached. Mr. Sharkey reported that he received the preliminary plans from Dannenbaum on the location of the line to be installed by the North Harris County Regional Water Authority, and now the District can begin design of the chloramine conversion system.

The contractor successfully plugged the well above the hole in the screen, as previously authorized by the Board. The contractor and engineer recommend replenishing gravel through issuance of change order no. 2 in the amount of \$10,520. Upon motion made by Director Drawhorn, seconded by Director Heussner and unanimously carried, the Board

approved change order no. 2. Director Drawhorn noted that homeowners were concerned about the noise levels at the water well during the rehabilitation project, and the engineer confirmed that there would be some noise until the project is complete. The engineer recommended approval of pay estimate no. 1 in the amount of \$9,540 to Weisinger Well for the work in progress. Upon motion made by Director Drawhorn, seconded by Director Heussner, the Board voted unanimously to approve pay estimate no. 1 as presented.

The engineer attended the Bammell Regional Plant meeting, where that board presented a list of capital improvements. The District's estimated capital contribution in 2008 will be \$127,761. In 2009, the contribution is expected to be \$61,650. There is an alternate scenario which basically flip-flops these expenditures. Cobb Fendley will attend these meetings on the District's behalf.

The engineer received a fax from the District's insurance agent regarding replacement values of all District facilities. The engineer will have recommended replacement values by the next meeting.

The Board discussed the location of the lift station fence. Ms. Wanda Kannarr, a neighboring property owner, had previously indicated that she believes that the District's fence is encroaching on her property. The engineer's field investigation indicates that the resident may be correct regarding the encroachment. Another resident also had complaints regarding the construction materials used on the fence and the drainage. The engineer recommended that the District engage a surveyor to determine all property lines definitively. Cobb Fendley has a surveying team that can be utilized.

The Board discussed the drainage behind the lift station site. The operator noted that this area has never drained very well. The back corner holds water. The District may be able to put in fill, but the neighboring backyard will have to be cleared at the back to facilitate drainage. The operator will get prices on drainage and fencing as it relates to the neighboring property owner who made the inquiry at the public hearing.

8. Ms. Claudia Redden presented the bookkeeper's report, a copy of which is attached. After discussion, upon unanimous vote, the Board approved the bookkeeper's report.

9. The Board considered a draft budget for the fiscal year ending November 30, 2009. The bookkeeper created a storm debris clean-up and Hurricane Ike revenue and expense column. The bookkeeper changed the surface water pass-through rates to reflect new rates being charged by the North Harris County Regional Water Authority. The Board discussed the 17% surcharge on the surface water assessment. The civic associations in the District currently do not pay for water used at their irrigation taps, and part of the unaccounted for water is recovered in the surcharge. The District may want to reconsider its policies in conjunction with a Rate Order amendment in the future. The Board deferred consideration of its Rate Order until after the upcoming election. The Board will review and consider adoption of the budget at next month's meeting.

10. The Board tabled consideration of a resolution in support of creation of a management district and correspondence from the Houston Northwest Chamber of Commerce.

11. The attorney noted that the District had previously authorized her office to obtain quotes for publication of the District's upcoming bond and maintenance tax election. The District already posted the notice of the election as required by law, and publication is not legally necessary. Because the election would have to be published in three languages, the cost of publication was quite expensive. The Board reviewed quotes from the *Houston Chronicle* and from *1960 Sun* and determined that newspaper publication was cost prohibitive.

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

Secretary