

NO. 2004-20

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
December 7, 2004

THE STATE OF TEXAS §

COUNTY OF HARRIS §

BRIDGESTONE MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Bridgestone Municipal Utility District (the "District") met in special session, open to the public, at the Bridgestone Community Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, December 7, 2004, at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to wit:

Adrian E. Steffes	President/Investment Officer
Jim Marks	Vice President
Ronald W. Schkade	Secretary
Skip Warren	Treasurer
Jerry Thomas	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of the District; Messrs. Ed Shackelford, P.E. and Erich Peterson, P.E. of Jones & Carter, Inc., engineers for the District; Mr. Jamie Cornelius of Sowell & Co. ("Sowell"), developer of the Rhodes Landing subdivision within the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the District. A copy of the sign-in sheet for those in attendance at the meeting is attached hereto.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF 2005 INTERLOCAL AGREEMENT FOR LAW ENFORCEMENT SERVICES BY AND BETWEEN HARRIS COUNTY AND THE DISTRICT

Mr. Conner first submitted the proposed 2005 Interlocal Agreement for Law Enforcement Services by and between Harris County and the District (the "Interlocal Agreement") for the Board's approval and execution. Mr. Conner reminded the Board that the Interlocal Agreement reflects that five (5) constables will provide security services in the District. Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize the execution of the

Interlocal Agreement, a copy of which is attached hereto. Mr. Conner stated that a constable would pick up the Interlocal Agreement tonight and take it to Harris County for execution.

REVIEW AND DISCUSS PROPOSED POLICIES AND PROCEDURES FOR HANDLING WATER THEFTS WITHIN THE DISTRICT

Mr. Conner next presented a recommendation to the Board for the penalties to be assessed to parties caught stealing water from the District, a copy of which is attached hereto. Mr. Conner explained that he is proposing a penalty of \$1,000 for the first offense, \$2,000 for the second offense, and \$5,000 for the third and subsequent offenses, plus the cost of the water taken. Director Warren then stated that he wanted to increase the amount of the penalty for the first and second offenses by \$500 each. A brief discussion then ensued. Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following schedule of penalties for the theft of water:

- First Offense: \$1,500 plus the cost of the water taken
- Second Offense: \$2,500 plus the cost of the water taken
- Third Offense: \$5,000 plus the cost of the water taken

Mr. Conner noted that any damages to the District's facilities will be charged to the person responsible based on the cost of the necessary repairs, plus a damage fee of \$50.00, in accordance with the District's existing Rate Order provisions. Mr. Conner added that amendment of the District's Rate Order to implement and include the water theft penalties would be placed on the Board's December 21st agenda.

Mr. Conner then reported that Aqua Services, LP, the District's operator, had prepared an invoice to B & R Water Well Drilling, Inc. ("B&R") for water stolen on October 4, 2004, in the amount of \$1,016.68 and that a letter to B&R regarding the water theft is in the process of being prepared.

Director Warren then requested that water theft signs be posted at the District's main entrances. Ms. Bobbitt suggested that the signs be attached to the District's name signs and that the signs be printed in both English and Spanish. Mr. Conner stated that he would determine the appropriate language for the signs and obtain a cost estimate for the Board's December 21st meeting. Director Thomas suggested that similar signs be posted at each of the District's facilities.

Director Marks then entered the meeting at 7:10 p.m.

REVIEW AND DISCUSS RHODES LANDING DETENTION POND MAINTENANCE MATTER AND APPROVE AND AUTHORIZE EXECUTION OF DETENTION POND MAINTENANCE AGREEMENT WITH RHODES LANDING HOMEOWNER ASSOCIATION, INC., INCLUDING AUTHORIZATION FOR RELEASE OF REIMBURSEMENT TO SOWELL

Mr. Conner next reviewed the history of the Rhodes Landing detention pond dating back to 2000. Ms. Bobbitt explained that she had reviewed the District's minutes from 1999 through 2004 to ascertain what was reflected in the minutes concerning the matter. Ms. Bobbitt pointed out that the District had originally entered an Agreement for Financing of Facilities (known as the "Financing Agreement"), dated June 12, 2000, with Mr. John Ramsey regarding development of the 38-acre tract, subsequently developed as Rhodes Landing by Sowell. Ms. Bobbitt went on to state that Sowell purchased the tract almost a year later and entered into a different Financing Agreement with the District for the Rhodes Landing development, dated May 14, 2001, which was prior to the District's implementation of the reimbursement calculation worksheet. Discussion then ensued regarding Sowell's responsibility for the maintenance of the Rhodes Landing detention pond. Ms. Bobbitt then referred to the memorandum she had prepared summarizing the history of the Rhodes Landing detention pond matter, a copy of which is attached hereto.

Mr. Conner then explained that he had obtained three (3) proposals for the maintenance of the Rhodes Landing detention pond, with the lowest proposal being submitted by Storm Water Solutions, LP ("Storm Water Solutions") at a cost of \$8,510 per year or \$170,200 for 20 years. Mr. Conner stated that the proposal included 16 cuts per year (twice a month from June to September and once a month from October to May) and allows for an annual Consumer Price Index ("CPI") increase. Mr. Conner added that it is being proposed that the District enter into a Detention Pond Agreement with the Rhodes Landing Homeowner Association, Inc. (the "RLHOA") for the payment to the District of the annual detention pond maintenance costs, and that the District would then contract with Storm Water Solutions for the maintenance work. Mr. Conner noted that he had projected a 20-year maintenance cost of \$173,000 with a 2% CPI increase per year. Mr. Conner stated that this amount did not include maintenance of the detention pond pumps or electrical costs.

Director Marks interjected that Sowell had a verbal agreement with the District for paying the detention pond maintenance costs and they should abide by such agreement. Director Marks added that Mr. David Harrison had told Mr. Michael McCall after the November Board meeting that he expected that the maintenance amount to be deducted from the Sowell reimbursement would be \$200,000.

Director Thomas then stated that during his review of past minutes sent to the Board regarding this matter, he noted that in the May 2002 minutes, it was stated that Harris County (the "County") would not sign the construction plans for the Rhodes Landing detention pond until the District confirmed that it would take over the detention pond for maintenance. Mr. Shackelford then explained the history of the Harris County Flood Control District (the "HCFCD") concerning acceptance of detention pond facilities for maintenance and the requirements for such a letter from the District.

Director Marks next asked what other developments in the District have or will have pumped detention facilities. Mr. Shackelford responded that Gosling Pines will have a pumped detention facility. Mr. Shackelford added that Mr. Hudson has agreed to maintain such detention facility until Gosling Pines can connect to the proposed HCFCD gravity discharge that is to be constructed by the County.

Mr. Cornelius then stated that it was always clear to Sowell that Rhodes Landing would be a pumped detention facility. Director Marks stated that it was clear to him who was going to pay for the maintenance of such facility. Mr. Cornelius then explained how Sowell plans its developments, including the planning for the homeowner association in each development to have the responsibility to maintain the aesthetic components of any detention facilities required for the development. Mr. Cornelius added that the pumps for the detention pond are similar to the pumps at a lift station, but do not run as long and have little or no maintenance. Director Marks asked Mr. Cornelius if he was expecting to be reimbursed for the detention facilities without a deduction being made for maintenance costs of the detention pond. Mr. Cornelius responded that he did not expect to have a deduction from his reimbursement amount for detention pond maintenance costs. Director Thomas noted that Mr. Ramsey had written a letter acknowledging that there would be a problem with detention pond maintenance and asked if Sowell was aware of such issue. Director Thomas then asked if the Ramsey Financing Agreement was different than the Sowell Financing Agreement. Ms. Bobbitt stated that they were two (2) different agreements with two (2) different entities.

Director Steffes then asked if language could be included in the proposed Detention Pond Agreement with the RLHOA for the replacement and/or repair of the detention pond pumps. Mr. Cornelius responded that he did not feel it would be appropriate to saddle the homeowners with the responsibility for the replacement and/or repairs to the pumps. Mr. Cornelius then asked the engineers for an estimate of the cost to replace the three (3) pumps, should replacement ever be required. Mr. Peterson estimated the replacement cost to be between \$15,000 and \$20,000 per pump. Mr. Cornelius suggested that Hahn Equipment Company, Inc. ("Hahn Equipment"), the supplier of the existing pumps, be contacted to provide a cost for the replacement of the pumps, which he estimated would be no more than \$50,000, and stated that he would be willing for that amount to be deducted from Sowell's reimbursable amount for the detention pond construction costs. Director Marks commented that the developer put something in the ground that the District did not have to have and the developer should have to pay for it. Mr. Cornelius stated that the pumped detention facilities were required to maximize the value of the development. Director Marks stated that the difference in value could not have been more than 15 to 20 lots to install pumped detention rather than shallow detention. Mr. Cornelius stated that it was more like a 50 plus lot difference in the number of lots that could be developed.

Director Warren then stated that he thought the Board should accept the proposed Detention Pond Agreement with the RLHOA and agree to the deduction of the replacement cost of the three (3) pumps from the amount to be reimbursed to Sowell and should get the gentleman's agreement with Mr. Hudson regarding Gosling Pines in writing that Mr. Shackelford mentioned earlier. Ms. Bobbitt then asked for clarification concerning Director Warren's comment about Mr. Hudson's agreement. Director Warren stated that he was referring to the District's need to have a written agreement regarding the maintenance of the Gosling Pines detention pond.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 8:25 p.m. and announced that the Board would convene in executive session pursuant to Section 551.071(1), Texas Government Code, as amended, to consult with the District's attorney. Everyone then exited the meeting with the exception of the Board members, Mr. Brad Dill (former Board member), Mr. Conner, Ms. Bobbitt and Ms. Dold, who attended the executive session.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 9:00 p.m. Messrs. Shackelford, Peterson and Cornelius re-entered the meeting.

Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote opposed, with Director Marks voting in opposition, to accept the Detention Pond Agreement with the RLHOA and to authorize its execution.

Director Warren then exited the meeting at 9:10 p.m.

Upon motion by Director Thomas, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted three (3) votes in favor and one (1) vote opposed, with Director Marks voting in opposition, to accept Mr. Cornelius' offer to deduct the replacement cost of the pumps from the Sowell reimbursement, as such amount is determined by contacting the original supplier of the pumps, and to authorize reimbursement to Sowell for the Rhodes Landing detention pond construction costs. Mr. Peterson stated that he would contact Hahn Equipment tomorrow to obtain the pump replacement cost.

Director Marks then exited the meeting at 9:11 p.m.

Mr. Conner then proposed a January workshop to review and discuss the status of the District's reimbursement agreements and detention pond facilities. Director Thomas noted that the meeting room was available to the Board on the first and third Tuesday of each month. Mr. Conner stated that he and Mr. Shackelford would need time to organize the information for the workshop and would contact the Board members about the date of the meeting.

There being no further business to come before the Board, the meeting was adjourned at 9:15 p.m.

PASSED, APPROVED AND ADOPTED this 18th day of January, 2005.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)

