

2006-5  
MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
April 18, 2006

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 regular 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, April 18, 2006, at 6:00 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

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of the District; Ms. Pat Hall of Equi-Tax, Inc. ("Equi-Tax"), tax assessor/collector for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Messrs. Ed Shackelford, P.E. and Erich Peterson, P.E. and Ms. Dedra Ecklund of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Ms. Karen Sears of Aqua Services, LP ("Aqua Services"), operators for the District; Mr. Bob Hudson of Texas Investment & Development Company and Mr. David Glunt of Glunt Investment & Development Company, developers of the Bridgestone Lakes, Gosling Pines, Senterra Lakes, Villages of Senterra Lakes and Augusta Village subdivisions within the District; Lieutenant David Blankenship of the Harris County Precinct 4 Constable's office; Mr. Gary Palmer, resident of the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), 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.

## **CONSENT AGENDA**

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda. Mr. Peterson noted that item B.4.c. had been removed from the Consent Agenda.

Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approve the minutes of the regular meeting of March 21, 2006, as written; 2) authorize design of the water, sewer and drainage facilities to serve Northcrest Village, Sections 6 and 7; 3) authorizing advertising for bids, subject to Engineer's receipt, review and approval of projects plans and specifications for a) Bridgestone Lakes, Section 3 clearing and grubbing; and b) Bridgestone Lakes, Section 3 water, sewer and drainage facilities; 4) review bid tabulations and award contract for a) Senterra Lakes, Section 2 clearing and grubbing; and b) Senterra Lakes, Section 2 water, sewer and drainage facilities; 5) approve the following pay estimates: a) Pay Estimate No. 5 (Revised) in the amount of \$38,411.06 to Triple B Services, LLP for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 4; and b) Pay Estimate No. 5, in the amount of \$32,494.00 to Clearwater Utilities, Inc. for construction of water, sewer and drainage facilities to serve Spring Terrace, Section 5; and 6) ratify the approval and acceptance of mowing proposal from Bridgestone Homeowners Association for the District's seven (7) lots located adjacent to the Bridgestone park and recreation area, the proposal for which is attached hereto.

## **REGULAR AGENDA**

### **TAX ASSESSOR/COLLECTOR'S REPORT**

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of March, a copy of which is attached hereto. Ms. Hall reported that 92.2% of the District's 2005 taxes have been collected as of today's date. Ms. Hall then distributed a copy of the letter written by her office to Mr. Eugene Boswell stating that his property is not located within the boundaries of the District, a copy of which is attached hereto. Ms. Hall noted that there were a large number of refund checks reflected on tonight's report.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

### **DELINQUENT TAX ATTORNEY'S REPORT**

Ms. Hall next reviewed with the Board the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall noted that no action was required by the Board on the Delinquent Tax Attorney's Report at this time.

## RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2006 TAX YEAR

Ms. Bobbitt then reported that at the March meeting the Board had expressed interest in increasing the District's tax exemptions for the 2006 tax year. Ms. Bobbitt stated that Mr. Short, the District's financial advisor, had prepared a tax exemption analysis for the Board's review at the special April 11, 2006 meeting, a copy of which is attached hereto, and that the Board had determined not to increase the District's tax exemptions for the 2006 Tax year. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to adopt a Resolution Concerning Exemptions from Taxation for 2006 Tax Year (the "Resolution"), thereby granting a \$25,000 exemption for individuals who are disabled or are 65 years of age or older and granting a 10% general residential homestead exemption. A copy of the Resolution is attached hereto.

## GENERAL MANAGER'S REPORT

Mr. Conner next presented the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner first reported that he did not have an update regarding payment of the outstanding invoices for engineering and legal services associated with the Texas Mega Storage development. Mr. Shackelford added that no response or further contact has been received by his office from Texas Mega Storage.

Mr. Conner noted that the Harris County Precinct 4 Constable's Report was distributed via email.

Mr. Conner then reported that he is still awaiting receipt of the proposed agreement by and between the District and the Harris County Flood Control District (the "HCFCD") regarding the joint use of the HCFCD drainage easements for the installation and maintenance of the District's hike and bike trails from the HCFCD.

Mr. Conner went on to report that he had talked with the owner of Progressive Pumps earlier today concerning the District's plans for the routing of the proposed improvements to lower Bonds Gully and has forwarded the owner's comments to the engineers.

Concerning the cleaning of the FM 2920 stormwater drainage ditches, Mr. Conner reported that Texas Department of Transportation ("TxDOT") has entered a contract to have the drainage ditches cleaned on the north and south sides of FM 2920.

Mr. Conner noted that the court case regarding the Albertson's detention pond is set for May, 2006.

Director Warren then recommended that the District begin routine inspections of all the Harris County (the "County") drainage ditches located in the District every four (4) months or at least two (2) times per year. Director Warren stated that the County is not doing a good job maintaining the drainage ditches. Director Steffes commented that he has a problem with the

Board performing work that is the County's responsibility. Director Warren stated that he would like to find some way to get the County to better maintain the ditches. Mr. Peterson advised that the County is slow to do preventive maintenance work until they receive complaints from residents.

Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's Report.

### DIRECTOR'S REPORT

Director Schkade then reported that he had inspected the District's facilities with Mr. Almaguer on Saturday, April 15, 2006. A copy of Director Schkade's inspection report is attached hereto. Director Schkade reported that the District's facilities were in great shape and noted only a few minor items that need attention.

A brief discussion ensued regarding several items that need to be repaired and cleaned up in the District by the contractor for the North Harris County Regional Water Authority's (the "Authority") water line construction project. Mr. Conner and Mr. Shackelford noted that they will contact Mr. Curtis Villarreal, construction manager of Turner Collie & Braden regarding the matter. Director Steffes asked that Mr. Conner and Mr. Shackelford arrange for a final walk-through with Mr. Villarreal and the contractor.

Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Report.

It was noted that Director Steffes will perform the Director's inspections for May and June.

### BOOKKEEPER'S REPORT

Ms. Jarmon next reviewed the Bookkeeper's Report with the Board, including the revenues and expenses of the District, the budget comparison, investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon reported that the monthly invoices had been sent to the various developers in the District for construction management services and to those developers with outstanding balances for annexations, feasibility studies and/or easement acquisitions. Ms. Jarmon further reported the receipt of \$77,070 in residential tap fees during the prior month. Ms. Jarmon added that she had received a letter dated April 11, 2006 from the Rhodes Landing Homeowner Association, Inc. regarding changing the name on the electric service account serving the Rhodes Landing detention pond pump station. Ms. Jarmon reported that she responded to the letter, copies of both letters are attached hereto.

Director Steffes asked if the District had funds invested with Amegy Bank ("Amegy") and noted that they currently have a special interest promotion. Ms. Jarmon stated that she did

not think any of the District's funds were currently invested with Amegy and that she is certain that the interest rate promotion does not apply to governmental entity accounts.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, the investment report and the payment of the checks reflected therein.

#### OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of March with the Board, including the termination list, copies of which are attached hereto. Ms. Sears reported that the District's four (4) month water accountability ratio was 91.1%, and that there were 18 sludge hauls during the prior month. Ms. Sears added that there are currently 3,790 connections in the District.

Ms. Sears then reported that a draft of the District's 2005 Consumer Confidence Report (the "CCR") is attached to the Operator's Report for the Board's review. Director Steffes stated that he would review and update his President's message on the 2005 CCR, so it can be finalized at the May meeting. Director Steffes requested that a copy of the 2004 CCR be provided to him for review.

Ms. Sears next reviewed the Builder Backcharge Report Summary with the Board, a copy of which is attached hereto. The Board expressed concern over the \$5,537.78 outstanding amount owed by KB Home. The Board requested that Ms. Sears review the account to determine how old the charges are. The Board also requested that Ms. Jarmon hold the refund check no. 9065 to KB Home until the matter is resolved.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and to authorize the termination of service to the delinquent accounts, in accordance with the provisions of the District's Rate Order.

#### UPDATE ON WEBSITE IMPROVEMENTS

Ms. Dold reported that Mr. Jerry Thomas has scheduled a meeting in the near future with Ms. Barbara Payne of Payne Communications, to review the District's website improvements. Director Steffes noted that the Board will want to review the proposed kids' website program before it is placed in service on the District's website.

#### ENGINEER'S REPORT

The Board next recognized Mr. Peterson, who reviewed the Engineer's Report with the Board, a copy of which is attached hereto.

Mr. Peterson first reported that the appraisal for the 0.88-acre tract of land belonging to Mr. Bill Paiko that is proposed to be purchased for the Ditch "B" improvement project, came

back with an appraised value of \$153,000. Mr. Peterson stated that since the appraisal does not take into account that the tract does not have access to FM 2920, the Board may want to offer something less than the appraised value for the property. Mr. Peterson noted that the Harris County Appraisal District has the full 2-acre tract owned by Mr. Paiko valued at \$340,000. Ms. Bobbitt noted that the appraiser cannot take into account the lack of access to FM 2920 because it is still one (1) parcel. Ms. Bobbitt also noted that the District will be required to provide a copy of the appraisal to Mr. Paiko along with the District's offer letter for the purchase of the 0.88-acre tract. Further discussion ensued of the matter.

Ms. Hall then exited the meeting at 6:40 p.m.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Ms. Bobbitt to make an initial offer of \$105,000 to Mr. Paiko for the 0.88-acre tract and to authorize a maximum offer of \$125,000.

Mr. Peterson then reported that the Operator's Report included the Well Performance Test Reports for Water Well Nos. 1, 2 and 4. Mr. Peterson stated that based on the test results, all of the District's wells were in good shape, but that Water Well No. 2 will need to be closely monitored.

Mr. Peterson then asked the Board to select a paint color for the ground storage tank at Water Plant No. 3. Mr. Conner recommended that the Board choose a light color similar to the paint of the existing building. The Board agreed with Mr. Conner and instructed Mr. Conner and Jones & Carter to select a color that closely matches the color of the existing building.

#### REQUEST FOR SERVICE TO FANTA TRACT

Mr. Peterson then reported that Mr. Glunt has entered a contract to purchase the 79-acre tract of land north of Spring-Cypress Road and east of Kuykendahl Road previously known as the "Fanta Tract." Mr. Peterson noted that Mr. Glunt has submitted an application for service for the tract, along with a deposit check in the amount of \$3,000 for a feasibility study on the tract. Mr. Glunt then provided the Board with a copy of a conceptual plan for the development of the Fanta Tract, to be known as Senterra Estates, a copy of which is attached hereto. Mr. Glunt stated that the proposed development would be a gated community with 106 100' X 125' lots with estimated home values in the \$500,000 to \$650,000 price range. Mr. Glunt added that the assessed valuation of the project is estimated to be \$75 million. Mr. Glunt further explained that he was concerned with two (2) issues: 1) the District's drainage obligations reflected in the February 10, 1982 Annexation Agreement by and between the District and Fanta Partnership; and 2) whether the proposed private gated development be eligible for reimbursement of the storm sewer system costs and who would be responsible for the maintenance of the private streets. Ms. Bobbitt responded that she would need to review the Annexation Agreement before discussing the matter with the Board.

Director Marks then entered the meeting at 6:54 p.m.

Mr. Peterson noted that there are existing water and sanitary sewer lines that can serve the tract and that there are two (2) options for providing sanitary sewer service to the tract. Mr. Hudson then stated that the Annexation Agreement anticipates development of the tract with no more than 20 connections per acre and noted that the current land plan for the 106 lots would free up both water and sanitary sewer capacity for the District. The Board then authorized Jones & Carter to proceed with a feasibility study for the Fanta Tract for review and discussion at the May 16, 2006 Board meeting.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report.

#### ATTORNEY'S REPORT

Ms. Bobbitt then reported that she, Mr. Shackelford, Mr. Peterson and Mr. Conner had met following the March meeting to discuss proposed changes to the District's Rate Order, as well as revisions to the District's Policies and Procedures for Development. Ms. Bobbitt added that her office is in the process of preparing a draft of a proposed Amended Rate Order. Ms. Bobbitt also reported that she, Ms. Jarmon, Mr. Shackelford, Mr. Peterson and Mr. Conner met on April 26, 2006 to review certain bookkeeping and financial issues regarding developer deposit and billing policies and procedures.

Concerning the proposed Strategic Partnership Agreement by and between the District and the City of Houston (the "City"), Ms. Bobbitt reported that the City has postponed consideration of the District's application until the fall of 2006.

Ms. Bobbitt then reported that a special meeting will be held on Tuesday, May 2, 2006 to review the District's audit report for the fiscal year ending December 31, 2005 and to conduct interviews with Ms. Linda Theiss and Mr. Gary Palmer in connection with the appointment of a qualified individual to replace Director Thomas.

#### STATUS OF EASEMENT ACQUISITIONS FOR UPPER BONDS GULLY IMPROVEMENT PROJECT

Ms. Bobbitt then reported that she has been advised by Jones & Carter that additional easements will need to be acquired from Mr. Scully, Mr. Grundmeyer and Klein Independent School District for the proposed Upper Bonds Gully improvement project. Ms. Bobbitt added that appraisals for the easement tracts may be necessary. Ms. Bobbitt also suggested that an appraisal be obtained on the Progressive Pump tract in connection with the Proposed Lower Bonds Gully project. Ms. Bobbitt recommended that the Board authorize her to obtain the necessary appraisals on the various drainage easements. Further discussion of the matter ensued.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Ms. Bobbitt to obtain the necessary appraisals on the easements, in connection with the Upper/Lower Bonds Gully improvement project.

The Board then discussed the order of the agenda at the special meeting on May 2, 2006. It was determined that the director interviews would be conducted following the review of the audit report at 8:30 p.m. and 9:00 p.m. Mr. Conner stated that he will contact Ms. Theiss and Mr. Palmer concerning the interview time.

Ms. Bobbitt then announced that Mr. Wayne Dolcefino is going to air an exposé on a local utility district this Thursday, Friday and Sunday at 10:00 p.m.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Attorney's Report.

Mr. Hudson and Mr. Glunt then exited the meeting and Lt. Blankenship entered the meeting at 7:25 p.m.

Lt. Blankenship then briefly reviewed the Constable's Report with the Board, a copy of which is attached hereto.

#### MISCELLANEOUS MATTERS

Director Marks then reported that the Alphabet Soup childcare facility located on Rhodes Road has gone out of business and that the tract is for sale. Director Marks recalled that the tract has a septic system, but that the District has been supplying that tract with water and expressed concern about another tenant or owner on the property expecting to receive water service from the District. The Board then requested that Ms. Sears have the meter at such facility removed.

Ms. Bobbitt then noted that the next regular meeting of the Board will be held on Tuesday, May 16, 2006, at 6:00 p.m. at the Bridgestone Community Center and that a special meeting will be held on Tuesday May 2, 2006 at the Bridgestone Community Center.

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

PASSED, APPROVED AND ADOPTED this 16<sup>th</sup> day of May, 2006.

/s/Ronald W. Schkade

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Secretary, Board of Directors

(DISTRICT SEAL)