

2007-13  
MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
June 19, 2007

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, June 19, 2007, 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
Linda D. Theiss	Secretary
Ronald W. Schkade	Assistant 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 for the District; Ms. Pat Hall of Equi-Tax, Inc., 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; Mr. Joe Almaguer of Aqua Services, LP, operators for the District; Lieutenant Ronnie Glaze and Sergeant Dean Coleman of the Harris County Precinct 4 Constable's office; Mr. Ronnie Matthews of Peron Development, Inc., developers of the Northcrest Village, Bella Sera and Villages of Bridgestone subdivisions within the District; Messrs. J. Terrence Lynch, Rich Norris and Bob Phillips, representing Wells Stone Development, potential purchasers of the 6.95-acre tract located within the boundaries of the District; and Ms. Robin S. Bobbitt, and Mr. Jonathan Polley, attorneys, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), attorneys for the District.

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.

Ms. Bobbitt then introduced Mr. Polley to the Board and stated that Mr. Polley had recently joined the law firm and would be working with her on various District matters and projects.

## 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. Ms. Bobbitt noted that the minutes of the special meetings of May 2, 2007 and May 12, 2007 and the regular meeting of May 15, 2007 were being presented for approval. Mr. Peterson noted that several pay estimates had been added to his report for approval.

Upon motion by Director Theiss, seconded by Director Schkade, 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 special meetings of May 2, 2007 and May 12, 2007 and the regular meeting of May 15, 2007, as written; 2) approve the following pay estimates and change orders: a) Pay Estimate No. 2 in the amount of \$82,176.53 from Lecon, Inc. for the construction of construction of the Ditch A and Ditch B improvements; b) Pay Estimate No. 5 in the amount of \$58,544.56 from B & D Construction Co., Inc for construction of the water, sewer and drainage facilities to serve Northcrest Village, Section 6; c) Pay Estimate No. 6 and Final in the amount of \$20,935.00 from Bay Utilities, LLC for construction of the water, sewer and drainage facilities to serve Senterra Lakes, Section 2; d) Pay Estimate No. 1 in the amount of \$15,550.95 and Pay Estimate No. 2 in the amount of \$32,799.83 from L & Y Contractor for clearing and grubbing of Villages of Senterra Lakes, Section 2; e) Pay Estimate No. 1 in the amount of \$176,818.05 from Rebel Dozer Service & Construction, Ltd. for construction of the Kuykendahl Road 6-inch sanitary sewer force main; and f) Pay Estimate No. 1 in the amount of \$453,172.28 from L. N. McKean, Inc. for construction of Upper Seals Gully channel detention; and 4) authorize the execution of any necessary easements to serve various District developments.

Director Theiss asked what the total contract bid had been for the Kuykendahl sanitary sewer force main project. Mr. Peterson responded that the total contract bid was \$230,434.50.

## REGULAR AGENDA

### AUTHORIZE FEASIBILITY STUDY FOR SERVICE TO GOSLING 6.5 INVESTMENTS, LTD. ("GOSLING 6.5 INVESTMENTS") 6.95-ACRE TRACT

Mr. Peterson then reported that Mr. Lynch had contacted the District regarding water and sewer service to a 6.95-acre commercial tract of land located within the boundaries of the District on the northeast corner of FM 2920 and Gosling Road and, therefore, a feasibility study needed to be prepared for such tract. Upon motion by Director Theiss, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to prepare a feasibility study regarding the District's provision of in-District service to Gosling 6.5 Investments 6.95-acre tract, pending receipt of the Application for Service and a \$3,000.00 deposit.

Messrs. Lynch, Norris and Phillips then exited the meeting at 6:20 p.m.

Ms. Dold noted that she had not yet received an Application for Service/Annexation from Mr. Galloway regarding his 11.5-acre tract of land.

#### TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of May, a copy of which is attached hereto. Ms. Hall reported that to date, 95% of the District's 2006 taxes have been collected and noted that there were a large number of tax refund checks included in tonight's checks. Ms. Hall reported that the District's preliminary valuation for 2007 is \$648 million, not including personal property, prior to the protest process being completed.

Upon motion by Director Schkade, seconded by Director Theiss, 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 reported that following the May meeting, she had requested additional information from the Delinquent Tax Attorney regarding the Rigia's Pizza delinquent account. Ms. Dold noted that Mr. Greg East provided an update via email, a copy of which is attached hereto. Mr. East reported that the correct owner did not understand that she is liable for delinquent taxes on the property she purchased in 2004. Mr. East stated that a trial date will be set in September.

Ms. Hall noted that no action was required on the Report.

#### HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Sergeant Coleman then reviewed the Constable's Report for the month of May, a copy of which was previously distributed to the Board and is attached hereto.

Lieutenant Glaze reported that Northwest Harris County Municipal Utility District No. 36 recently signed an Interlocal Agreement for Law Enforcement Services. Lieutenant Glaze went on to report that he had reviewed the District's business/commercial call statistics and is going to recommend that the District consider adding an additional deputy to be assigned solely to the District's business/commercial corridor. Director Warren suggested that the constables talk with the Wal-Mart management about the crime problems in the area. Mr. Shackelford then suggested that someone discuss the crime problems with the commercial management companies that handle the Wal-Mart strip/commercial center and the other commercial centers in the area. Mr. Conner stated that he would try to arrange such meetings.

Director Marks then entered the meeting at 6:35 p.m.

Ms. Bobbitt then reported that the funds from the District's Strategic Partnership Agreement ("SPA") with the City of Houston (the "City") would likely start to come in July, and that a portion of such funds could be used to fund the cost of an additional deputy.

A discussion then ensued regarding the City's ban on fireworks within the SPA commercial area and the sale and transport of fireworks over the Independence Day holiday. Ms. Bobbitt noted that the District has no authority or duty to enforce the fireworks ban. Director Steffes stated that the Harris County (the "County") fire marshals would be in the area to enforce the fireworks ban.

Lieutenant Glaze and Sergeant Coleman then exited the meeting at 6:43 p.m.

APPROVE AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT (THE "HGSD")

Ms. Bobbitt then presented the Interlocal Agreement between the HGSD and the District for the District's sponsorship of the WaterWise Program at Roth Elementary School and Northwoods Catholic School for the Board's approval. Upon motion by Director Marks, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Interlocal Agreement, a copy of which is attached hereto.

Ms. Hall then exited the meeting at 6:45 p.m.

REVIEW FEASIBILITY STUDY FOR SERVICE TO NORTHSIDE CHRISTIAN CHURCH (THE "CHURCH")

Mr. Peterson reviewed with the Board the feasibility study for the 33.87-acre Church tract (the "Northside Tract") located one-half (½) mile south of FM 2920 along the eastern edge of Kuykendahl Road, outside the boundaries of the District, a copy of which is attached hereto. Mr. Peterson informed the Board that the Church has requested water and sanitary sewer service to serve the new sanctuary and associated buildings that would be constructed in phases. Concerning water supply and distribution, Mr. Peterson explained that the Northside Tract has requested an ultimate water capacity of 75,600 gallons per day ("gpd") average daily flow. Mr. Peterson noted that the District currently has adequate water supply capacity to serve the Northside Tract and would be served by extending a 16-inch waterline along the eastern right-of-way of Kuykendahl Road to Rhodes Road, such water line to be designed and constructed by the District at the Church's expense.

Mr. Peterson next reported that the Northside Tract would require an ultimate wastewater treatment capacity of 60,000 gpd average daily flow. Mr. Peterson noted that there is a proposed 12-inch sanitary sewer line that will be extended south along Kuykendahl Road from Lift Station No. 5 and turn east along Gosling Road. Mr. Peterson noted that the Northside Tract will be financially responsible for 41% of the 1,600 linear feet of the proposed 12-inch sanitary sewer line and 100% responsible for 1,450 linear feet of 8-inch sanitary sewer line from Gosling Road to the southern edge of the Northside Tract and running parallel to Seals Gully. Mr. Peterson noted that the District will require a 25-foot sanitary sewer easement along the western edge of

the Harris County Flood Control District (the "HCFCD") Seals Gully ditch from the Church for the sanitary sewer line.

Mr. Peterson further reported that the Northside Tract would be considered a "private" development and, therefore, it is the owner's responsibility to determine drainage outfall and detention requirements for the Northside Tract.

Mr. Peterson then reported that due to the non-taxable status of the Church, the Church would be expected to pay a water and wastewater treatment plant capacity charge to the District. Mr. Peterson stated that the Church will be built in four (4) phases and, therefore, the Church would like to add water and sanitary sewer capacity in four (4) increments. Mr. Peterson stated that the proposed capacity charge would be \$3.00 per gallon for water capacity and \$4.00 per gallon for sanitary sewer capacity, for a total of \$226,800.00 for water capacity and \$240,000.00 for sanitary sewer capacity to be paid to the District at the time each phase of expansion is requested by the Church.

Mr. Peterson noted that the Board of Trustees of the Church will need to review and approve the estimated capacity costs to serve the Church, and that the developers of the tracts east of Gosling Road that will participate in the construction of the proposed 12-inch sanitary sewer line are waiting to see if the Church approves the feasibility study. Upon motion by Director Theiss, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Northside Tract feasibility study.

Mr. Matthews then entered the meeting at 7:00 p.m. and exited shortly after his arrival.

#### DIRECTOR'S INSPECTION REPORT

Director Theiss then distributed her Director's Report from her inspection of the District's facilities conducted on June 18, 2007 with Mr. Almaguer, a copy of which is attached hereto.

Ms. Dold reminded Director Marks that he is responsible for the July and August inspections.

Director Warren stated that the park was in excellent shape. Director Warren also noted that the Bridgestone Homeowners Association had changed the name of the Bridgestone Community Center to the Jerry Thomas Center in honor of the long-time service to the community by Mr. Thomas.

#### UPDATE ON PROPOSED ACQUISITION OF LAND AND CONSTRUCTION OF DISTRICT OFFICE AND MEETING FACILITY

Director Warren reported that he would like a price range from the Board for the proposed facilities. Director Marks then stated that the office and meeting facility is being proposed by Director Warren and suggested that Director Warren work with the General Manager and the District's engineers to prepare a proposal to present to the Board. Director Warren noted that he has met with Lieutenant Glaze to determine what the constables would desire for a substation office.

Mr. Shackelford noted that the Camco property has gone to foreclosure and suggested that the existing storefront might work well as an office and meeting facility.

### 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 went on to report that \$53,070.00 in tap fees had been collected during the prior month.

Upon motion by Director Marks, 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

Mr. Almaguer next reviewed the Operator's Report for the month of May with the Board, including the termination list, copies of which are attached hereto. Mr. Almaguer reported that the District's four (4) month water accountability ratio was 92.9%, and that there were 19 sludge hauls during the prior month. Mr. Almaguer added that there are currently 4,713 connections in the District.

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 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.

Ms. Jarmon then exited the meeting at 7:20 p.m.

### 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 reported that Mr. José Gross, property manager of the Albertson's retail center, reports that the detention pond rehabilitation work should be completed as soon as there is a stretch of dry weather. Mr. Conner also reported that Mr. Gross has stated that the retail strip center at Albertson's has been refurbished. Mr. Peterson noted that Jones & Carter has notified Mr. Gross that all plans for the tenant spaces of the retail center must be submitted to Jones & Carter for review. Mr. Conner added that he has scheduled a meeting with Mr. Gross and Ms. Margaret Assermann, the commercial realtor for the Albertson's development, to discuss the District's requirements for tenants.

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

### ENGINEER'S REPORT

Mr. Peterson then reviewed the Engineer's Report with the Board, a copy of which is attached hereto.

Mr. Peterson reported that he, Mr. Shackelford and Mr. Conner had met with Messrs. Rob Cummins and Justin Taack of the Texas Commission on Environmental Quality (the "TCEQ") on June 6, 2007, in Austin, Texas, to discuss the status of the review of the District's eighth (8<sup>th</sup>) bond application ("BAR") report by the TCEQ. Mr. Peterson noted that Mr. Taack had been waiting for a justification of a \$4,800.00 change order prior to approving the 8<sup>th</sup> BAR, and that the information regarding the change order has been provided, and that the BAR has subsequently been approved by the TCEQ. Mr. Peterson went on to explain that Jones & Carter and the General Manager had explained to Messrs. Cummins and Taack that the District and its developers have suffered financially as a result of the lengthy time it has taken to review and approve the 8<sup>th</sup> BAR and had informed the TCEQ staff that the District has several BARs to submit within the next few years. Mr. Peterson noted that the TCEQ was receptive to Jones & Carter's suggestion that prior to the submittal of a future BAR, Jones & Carter will request a meeting with the TCEQ to review and explain the BAR with the intent to allow a faster turnaround time for TCEQ approval of future BARs. Mr. Peterson added that the TCEQ stated that the District could submit the 9<sup>th</sup> BAR before approval of the 8<sup>th</sup> BAR is finalized. Mr. Peterson also noted that the TCEQ had agreed that the review process for one (1) larger BAR would be more time efficient. Ms. Bobbitt added that Mr. Carlin Short, the District's financial advisor, is reworking the numbers for the District's 10<sup>th</sup> BAR that will possibly be in the range of \$25,000,000 and include most of the developer projects that are currently completed.

Ms. Bobbitt noted that Mr. Short has projected the sale of the 8<sup>th</sup> bond issue to occur in mid to late July with a closing in August. Mr. Peterson interjected that Jones & Carter will begin scheduling the TCEQ prepurchase inspections of the facilities included in the 8<sup>th</sup> BAR.

Concerning the status of the Lower Bonds Gully improvement project, Mr. Peterson reported that he and Mr. Shackelford had met with Harris County Precinct 4 and the HCFCD on June 11<sup>th</sup> to discuss the acquisition/lease of land from the County for the District's extension of Lower Bonds Gully and detention for the Fanta tract in exchange for the District excavating the remaining portion of the existing Spring Cypress Road detention facility. Mr. Peterson noted that the County Attorney is preparing an agreement for the proposed land swap with the County.

Mr. Peterson then reported that Northwest Harris County Municipal Utility District No. 32 ("NW 32") has requested an emergency water supply agreement with the District. Ms. Bobbitt noted that the District currently has a joint emergency water supply agreement with NW 32 and Northwest Harris County Municipal Utility District No. 30 ("NW 30"), but that now NW 30 and NW 32 want to enter into separate emergency water supply agreements with the District. Mr. Peterson explained that NW 32 would extend their 8-inch water line to the

District's 12-inch water line at NW 32's expense. The Board concurred with the concept of the request from NW 32 for an emergency water supply agreement.

Mr. Conner then exited the meeting at 8:12 p.m.

Ms. Bobbitt then reported that the District has received its first invoice from the North Harris County Regional Water Authority (the "NHCRWA") for water in connection with the NHCRWA's Groundwater Transfer Project for the provision of water to NW 30. Mr. Almaguer stated that the District was not able to receive 300,000 gpd from the NHCRWA due to several adjustments that are required at the District's Water Plant No. 3. Mr. Almaguer noted that the District received approximately 150,000 gpd from the NHCRWA. Ms. Bobbitt stated that this was the first that she or the engineers had heard about a delivery problem. Ms. Bobbitt stated that she would contact Ms. Jarmon to hold check no. 10044 to the NHCRWA until the matter is investigated further.

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

#### ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TCEQ FOR APPROVAL OF PROJECT AND NINTH ISSUE OF BONDS

Ms. Bobbitt next presented a Resolution Authorizing Application to the TCEQ for Approval of Project and Ninth Issue of Bonds (the "Resolution"), and noted that the Board had adopted a similar Resolution at the March 20, 2007 meeting that sought approval for the issuance of \$18,160,000 bonds and recommended that an updated Resolution be adopted. 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 the Resolution that seeks approval of the issuance of \$16,140,000 bonds, a copy of which is attached hereto.

#### ATTORNEY'S REPORT

Ms. Bobbitt then reported that Mr. Robert A. Hudson of Texas Investment and Development Company, Inc., developer of the Bridgestone Lakes, Gosling Pines, Senterra Lakes, and Villages of Senterra Lakes subdivisions within the District and the proposed Fanta tract, had submitted a request for public information pursuant to the provisions of the Texas Public Information Act ("PIA") dated May 29, 2007, relating to capital projects and bond issues, for the following projects: 1) the proposed elevated storage tank; 2) Lift Station No. 2; 3) the Sewage Treatment Plant; 4) Upper Seals Gully drainage project, 5) Upper Bonds Gully drainage project; 6) Lower Bonds Gully drainage project; and 7) future bond issues. A copy of the PIA request letter is attached hereto. Ms. Bobbitt reported that since the receipt of the request, JRPB has requested copies of emails from the Board and the District's consultants, prepared a letter to the Attorney General of Texas requesting an Attorney General decision on Mr. Hudson's request pursuant to Section 552.301 of the PIA, and issued letters to the District's developers notifying them of Mr. Hudson's request and the District's request for an Attorney General decision. Ms. Bobbitt estimated that it will cost the District \$10,000.00 to \$20,000.00 to provide the

information to Mr. Hudson, and that Mr. Hudson will be responsible for a portion of the costs to copy and provide the information, all in accordance with the provisions of the PIA.

Ms. Bobbitt then stated that she would like to take the Board into an executive session.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 8:31 p.m. and announced that the Board would convene in executive session pursuant to Sections 551.071(2) and 551.072, Texas Government Code, as amended, to consult with the District's attorney to discuss attorney/client privilege matters and to discuss real property matters. The members of the Board, Ms. Bobbitt, Mr. Polley and Ms. Dold remained in the executive session, at which time all other persons in attendance then exited the meeting.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 9:20 p.m., where the following action was then taken by the Board. Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to authorize an offer letter to Mr. Robert Manis in the amount of \$1.25 per square foot for a fee strip across the rear of the Manis property for the re-alignment of Lower Bonds Gully.

MISCELLANEOUS MATTERS

Ms. Bobbitt reminded the Board that the Board's next regular meeting is scheduled for Tuesday, July 17, 2007, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 17<sup>th</sup> day of July, 2007.

  
Secretary, Board of Directors

