

NO. 2003-6

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
March 10, 2003

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 Baptist Church, 21825 Bridgestone Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Monday, March 10, 2003, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	-	President/Investment Officer
Brad Dill	-	Vice President
Robert J. Joyce	-	Secretary
Jim Marks	-	Assistant Secretary
Skip Warren	-	Treasurer

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Greg East of Perdue, Brandon, Fielder, Collins & Mott, L.L.P., delinquent tax attorneys 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. Pat Hogan, P.E. and Erich Peterson of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Messrs. Tom Dunn and Joe Almaguer of Aqua Services, LP ("Aqua Services"), operators for the District; Mr. Robert Hudson of Texas Investment and Development Company, developer of the Bridgestone Lakes and Gosling Pines subdivisions within the District; Mr. Erik Haaland of Terra Prima LTD, development manager for -RH of Texas Limited Partnership, developers of the Bridgestone Ranch and Stone Forest subdivisions within the District; Mr. David Harrison of Sowell & Co., developer of Rhodes Landing within the District; Mr. Jim West of West/Hallbeck Investments, representing the purchasers of a 9.9-acre commercial tract within the District; Mr. Gary Palmer, a resident of the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the District. Copies of the sign-in sheets for those in attendance at the meeting are 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.

PUBLIC COMMENT

No public comments were given.

APPROVAL OF MINUTES

The Board first considered approval of the minutes of the regular meeting of February 10, 2003. Corrections were noted on pages 3, 9 and 10 of such minutes. Upon motion by Director Dill, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of February 10, 2003, as corrected.

The Board next considered approval of the minutes of the executive session of February 10, 2003, previously distributed to the Board. A correction was noted on page 1 of such minutes. Upon motion by Director Dill, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the executive session of February 10, 2003, as corrected.

The Board next considered approval of the minutes of the special meetings of February 19, 2003 and February 20, 2003, previously distributed to the Board. Upon motion by Director Dill, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve the special meeting minutes of February 19, 2003 and February 20, 2003, as written.

The Board next considered approval of the minutes of the special meeting of March 4, 2003. A correction was noted on page 2 of such minutes. Upon motion by Director Warren, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the executive session of March 4, 2003, as corrected.

Approval of the minutes of September 25, 2001, July 17, 2002, August 29, 2002, October 23, 2002 and December 26, 2002 was deferred.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of February, a copy of which is attached hereto. Ms. Hall reported that 93.3% of the District's 2002 taxes had been collected as of today's date. Ms. Hall reported that the 2002 delinquent tax statements had been mailed. Upon motion by Director Joyce, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and authorize payment of the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Mr. East then introduced himself to the Board and reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Mr. East noted that the first group of four (4) accounts listed on the report had been paid subsequent to the Board's last meeting. Concerning the second group of accounts, Mr. East reported that the resident at 4723 Lost Lake Lane would like to make three (3) payments of \$761 each to pay the delinquent 2002 taxes. Upon motion by Director Warren, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve the request for payment of delinquent taxes in three (3) installments of \$761 each. Mr. East then reported that the bankruptcy on the account at 4803 Bridgeview Lane had been dismissed and that his office

had filed suit on such account. Concerning Sierracities.com, Inc., Mr. East reported that the delinquent taxes on such account should be paid by March 15, 2003 and, if not, his office will set the case for hearing.

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

CONSIDER AMENDMENT TO CONTRACT FOR THE COLLECTION OF DELINQUENT TAXES

Mr. East then addressed the Board concerning the 15% penalty collected by the delinquent tax attorney on tax accounts that remain delinquent after July 1st of each year. Mr. East noted that during the last legislative session, the maximum allowable penalty on delinquent accounts was increased from 15% to 20%. Mr. East explained that the fees paid to the delinquent tax attorney are paid by the delinquent taxpayer and not by the District and asked the Board to consider increasing the delinquent penalty to 20%. Upon motion by Director Dill, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve the 20% penalty and to approve an Amendment to Contract for the Collection of Delinquent Taxes, a copy of which is attached hereto.

RESOLUTION IMPLEMENTING PENALTY ON 2002 DELINQUENT TAXES AND CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES

Ms. Bobbitt then explained that pursuant to Sections 6.30, 33.07 and 33.08 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2002 taxes that remain delinquent as of July 1, 2003, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. Upon motion by Director Dill, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Implementing Penalty on 2002 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is attached hereto.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2003 TAX YEAR

The Board next considered approval of tax exemptions for the 2003 tax year, including homestead exemptions, exemptions for residents 65 years of age and older and exemptions for disabled residents. Director Dill asked Ms. Hall if she had the breakout on the commercial property values within the District. Ms. Hall stated that she did not have such information with her at the meeting. Director Dill then asked at what point the District could consider granting a homestead exemption and asked Ms. Hall to give the commercial value breakout to Mr. Short to evaluate for next year. Upon motion by Director Dill, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Concerning Exemptions from Taxation for 2003 Tax Year reflecting an exemption of \$25,000 for residents 65 years of age and older and an exemption of \$25,000 for disabled residents, a copy of which is attached hereto.

Mr. East then exited the meeting at 6:35 p.m.

DEVELOPER REPORTS

Mr. Haaland stated that he had nothing new to report concerning Stone Forest, Sections 2 and 3. Director Dill questioned the status of resolving the Stone Forest drainage problem. Mr. Haaland reported that the work had been authorized, but that rainy conditions had prevented such work from being performed. Mr. Haaland reported that the resident's drainage issue had not been resolved in Stone Forest because of rainy weather.

Mr. Harrison then reported that there were still several punch list items remaining from the inspection by Harris County in Rhodes Landing, but that such items will soon be completed. Mr. Harrison noted that 37 homes had been sold in the subdivision to date.

Mr. Hudson then reported that the wet weather conditions have delayed the paving work in Bridgestone Lakes, but noted that the contractor has completed the pilot channel work in connection with the Bonds Gully drainage improvement project from the 54-inch culvert down to Shalom Creek Lane, which is approximately 550 feet. Mr. Hudson added that there appears to be an obstruction somewhere in the channel that they are trying to locate. Mr. Hudson noted that the residents were notified that the work was being performed. Mr. Hudson added that the Bonds Gully contractor had opened and cleaned out the two (2) 5' by 2' box culverts beneath Bridgestone Lane. Mr. Hogan added that the outfall ditch was now cleared out at Bridgestone Lane.

Concerning Bridgestone Lakes, Sections 1 and 2, Mr. Hudson reported that the contractor had pumped water out from around the curb and would let the ground dry before backfilling the area. Mr. Hudson stated that the plat for the subdivision had been submitted for recording and that power should be installed to the area within the next two (2) to three (3) months. Mr. Hudson added that he would be receiving bids for construction of the detention pond to serve the Gosling Pines development on March 12, 2003.

Mr. West then reported that he drainage issues for the 9.9-acre commercial tract appear to be resolved and that he hoped to award construction contracts within the next few weeks. Mr. West then inquired if the revised sanitary sewer easement had been acquired from Pete Terpstra. Mr. Peterson responded that the revisions were being made to the metes and bounds description for the easement and would be forwarded to the attorney to prepare the additional sanitary sewer easement.

Director Marks then entered the meeting at 6:45 p.m.

AMENDED AGREEMENT FOR FINANCING OF FACILITIES REGARDING BRIDGESTONE LAKES, SECTION 3

Ms. Bobbitt next presented the Amended Agreement for Financing of Facilities (the "Amended Agreement") to include the 24.993-acre tract being developed by Mr. Hudson as Bridgestone Lakes, Section 3 and briefly reviewed such Amended Agreement with the Board.

Upon motion by Director Dill, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Amended Agreement, a copy of which is attached hereto.

ANNEXATION AND SERVICE AGREEMENTS AND AGREEMENTS FOR FINANCING OF FACILITIES WITH GOSLING PINES DEVELOPMENT COMPANY, INC. AND KPC LIMITED PARTNERSHIP

Ms. Bobbitt then presented a proposed Annexation and Service Agreement and Agreement for Financing of Facilities (collectively, the "Agreements") for the three (3) tracts (87.5055 acres, 11.5501 acres and 0.4591 acres) to be developed by Gosling Road Development Company, Inc. ("Gosling Road") as Gosling Pines and briefly reviewed such Agreements with the Board. Copies of the Agreements are attached hereto.

Ms. Bobbitt next presented drafts of an Annexation and Service Agreement and Agreement for Financing of Facilities for the 6.9517-acre commercial tract to be developed by KPC Limited Partnership ("KPC") and briefly reviewed such Agreements with the Board. Copies of the Agreements are attached hereto.

Upon motion by Director Dill, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreements with Gosling Road and KPC.

DIRECTOR'S INSPECTION REPORT

Director Steffes then presented his Director's Inspection Report, a copy of which is attached hereto. Director Steffes reported that he and Mr. Almaguer had inspected the District's facilities on March 6th and noted that in general everything looked good and was running smoothly.

Mr. West then exited the meeting at 6:42 p.m.

Director Steffes noted that it appears the District needs to acquire access to the Rhodes Landing detention pond pump controls in order to maintain the facility. Director Steffes stated that it appears that the only access to the pump controls would be inaccessible during bad weather conditions. A discussion then ensued and Mr. Hogan stated that Jones & Carter would review the matter and noted that there is a 40-foot easement from FM 2920 and that the berm around the detention pond was wide enough to provide access from the north side of the property. Director Steffes added that the concrete pad that the control panel box is on is already broken and needs to be repaired or replaced. Director Steffes also noted that the electric meter on the control box had been tagged by CenterPoint Energy ("CenterPoint"), indicating the box was wired incorrectly. Mr. Hogan stated Jones & Carter would look into the matter.

Mr. Palmer then entered the meeting and Ms. Hall exited the meeting at approximately 6:55 p.m.

Director Steffes then reported that the chalking on the ground storage tank at Water Plant No. 3 now appears not to be a paint problem, because the same substance is appearing on the new glass-lined ground storage tank at Water Plant No. 2.

OPERATOR'S REPORT

A discussion then ensued concerning the continued use of the Chicot Water Well No. 2-1, which is the District's weakest water well, rather than making Water Well No. 3 the lead/primary well. Mr. Almaguer explained that there appears to be a power problem on the two (2) wells at Water Plant No. 2. Mr. Hogan stated that he was not aware that the Chicot Water Well No. 2-1 was being used as a back-up well, and noted that Water Plant No. 1 was ready to go and ready to be placed back into service. The Board concurred that Aqua Services should switch over to utilizing the well at Water Plant No. 1 as soon as possible. Director Steffes asked Mr. Hogan to contact CenterPoint about installing surge monitors on Water Well No. 2-2. Director Marks then stated that Aqua Services should contact Jones & Carter when they encounter problems at the District's facilities and should not wait until the Board meeting to inform the engineers of these types of problems.

Mr. Dunn then reviewed the Operator's Report with the Board, a copy of which is attached hereto. Mr. Dunn reported that the water accountability ratio for the month was 89.3%, with a four (4) month average of 91.2%, and that there were eight (8) sludge hauls during the month. Mr. Dunn reported that there are currently 2209 connections in the District, including 58 builder accounts and 28 vacancies. Mr. Dunn noted that there had been no excursions at the sewage treatment plant during the prior month. Mr. Dunn noted that the G-M Services well performance testing reports for Water Well Nos. 2-1, 2-2 and 3 were attached to the Operator's Report.

A discussion then ensued regarding the low water accountability ratios that have been present for the past several months. Mr. Almaguer stated that Aqua Services could better control the flushing of water lines to improve the water accountability. Mr. Almaguer explained that Aqua Services does not keep records of the locations and length of time the lines are flushed. Director Dill asked if Mr. Almaguer could provide the Board with the records pertaining to the amount of water used to fill the new groundwater storage tank at Water Plant No. 1. Mr. Almaguer stated that he would try to obtain such information.

Mr. Dunn then reported that the problem of the sinkhole located in the ditch near the Landell facility and Kuykendahl Road had been turned over to Harris County for handling.

Mr. Dunn next reported that the refund check from the Harris-Galveston Coastal Subsidence District had been received.

Mr. Dunn went on to report on the receipt of a letter from a resident refusing to pay the monthly garbage collection fee. The Board instructed Mr. Dunn to respond to the resident and explain that payment for garbage collection was not a voluntary item.

Upon motion by Director Joyce, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, authorize Aqua Services to respond to the resident concerning the garbage collection fee and the service terminations to the delinquent accounts.

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 and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon reported that check no. 6432 in the amount of \$3,099.50 was the payment to Mr. Thomas Scully for a Bonds Gully drainage easement. Ms. Jarmon also reported receipt of a \$59,000 tap fee for the new Kroger store to be located in the District.

Ms. Jarmon also presented a spreadsheet of developer payments in connection with the Kuykendahl utilities and Lift Station No.5 contracts, a copy of which is attached hereto. Ms. Jarmon noted that today is the deadline for receipt of payments of the pro rata shares that were billed in February. A discussion then ensued concerning the delinquency of the developer payments. Mr. Peterson noted that he had just recently completed the recalculation of the developer pro rata shares to add the two (2) most recent developers, but had not yet provided such information to the developers for them to make their payments. The Board stated that the consultants need to keep on top of the developers regarding such payments. The Board asked Mr. Peterson to add language to the letter to reflect that payment of the pro rata shares is due within 30 days of invoicing and would be considered in default thereafter. Ms. Bobbitt stated that she would contact Mr. Alvis of NewQuest Properties about their delinquent account. Director Steffes stated that a letter should be sent to all six (6) participants each month identifying the developers who had not yet paid.

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

DISCUSS STATUS OF REFUNDING BOND ISSUE

Ms. Bobbitt stated that Mr. Short was continuing to work on the refunding bond issue.

ENGINEER'S REPORT

Mr. Hogan then presented the Engineer's Report to the Board, a copy of which is attached hereto.

Mr. Hogan first reviewed a Sources of Funds for the Bonds Gully Modification Project (the "Sources of Funds"), with a total estimated cost of \$868,470, a copy of which is attached hereto. Mr. Hogan noted that the Sources of Funds includes only one (1) of three (3) 6' x 5' box culverts that will be needed for the ultimate Bonds Gully project. Director Marks commented that there was a hot tub caught in the box culvert of the drainage ditch near Dove Meadows and asked if it might be better to have an open ditch rather than installing box culverts. Mr. Hogan explained that the District only has enough drainage ditch easement to install the box culverts. Director Steffes asked why all three (3) of the box culverts were not going to be installed at the same time. Mr. Peterson stated that installing all three (3) of the box culverts would add \$500,000 to the total cost of the Bonds Gully project, and that it is proposed that the remaining two (2) box culverts would be installed in a second phase of the project totaling approximately \$700,000. Mr. Hogan noted that the Sources of Funds reflects use of \$151,836 of funds

available and/or remaining from the prior bond issue, including surplus funds and escrowed funds totaling \$635,336, leaving only \$233,134 of the total project cost to be funded from the general operating fund.

Mr. Hudson then stated that the current pilot channel modification project would be enough to serve Bridgestone Lakes, Section 1, but that the remainder of the Bonds Gully modifications would be needed for Bridgestone Lakes, Sections 2 and 3. Mr. Hudson then inquired why the plans call for the three (3) 6' x 5' boxes at the turn of the drainage ditch. Mr. Hogan responded that the box culverts were needed to handle the increased flows upstream and to handle an extreme event. Mr. Hudson then noted that he is now required to increase the size of his detention pond, which was not factored into the original Bonds Gully drainage report. Mr. Hogan agreed and suggested that Jones & Carter re-evaluate such report in light of these questions and changes. Director Marks inquired why the bigger boxes were needed on the outfall side. Mr. Hogan stated that he would take another look at the drainage report for Bonds Gully and that perhaps some re-sizing could be done.

Director Dill then asked why the District should consider moving ahead with the Bonds Gully modification project. Mr. Hudson stated that although he needed the work to be done in order to proceed with Bridgestone Lakes, Sections 2 and 3, he could not afford to fund the entire project himself. Mr. Hogan then noted that the Rhodes Landing project should participate in a pro rata share of the costs to complete the Bonds Gully modification project since they would be discharging approximately 23% of the total flow through the 54-inch pipe. Mr. Hogan noted that most of the plans for the Bonds Gully modification project had been prepared and paid for by Mr. Hudson, but had not yet been approved by the Harris County Flood Control District (the "HCFCD"), which plans are now subject to the new rules of the HCFCD, and estimated it would take between 30 to 60 days to get the project ready to bid. The Board concurred that the design of the Bonds Gully project should be re-evaluated by Jones & Carter.

Concerning the deterioration of the Albertson's detention pond, Mr. Hogan reported that he had received a letter from Mr. Gross, a copy of which is attached to the Engineer's Report, and that he will forward a copy of such letter to the headquarters for Albertson's in Boise, Idaho.

Mr. Hudson then exited the meeting at 8:05 p.m.

The Board then discussed if the District had any liability with regard to the Albertson's detention pond. Ms. Bobbitt noted that the District does not own the property and that the owner is responsible for the detention pond and its maintenance. Director Dill then stated that the District is responsible for the drainage ditches in the District, but is not responsible for the water dumped into the drainage ditches. Since the Stone Forest development stands to be affected most by the condition of the Albertson's detention pond, the Board suggested that Mr. Haaland contact the Harris County Health Department about the potential health hazard created by the detention pond.

Director Steffes reported that the new car wash facility on Kuykendahl Road was installing a new stormwater pipe and asked if Jones & Carter had inspected such work. Director Steffes noted that the contractor had disturbed the drainage ditch during the pipe installation, and requested that Jones & Carter investigate such matter. Mr. Peterson stated that the contractor

contacted him on the matter, and he had referred him to the Jones & Carter inspection department. Mr. Hogan stated that he would talk with Mr. Larry Wepler of Jones & Carter regarding such matter.

Mr. Hogan next reported that he had received another letter from Mr. Sam Talje, P.E. of the Texas Department of Transportation ("TxDOT"), a copy of which is attached to the Engineer's Report, regarding the FM 2920 drainage issues. Mr. Hogan stated that TxDOT was not willing to allow the District to close the two (2) cross culverts that allow drainage to flow under FM 2920.

Mr. Hogan then reported that the contractor for Northwoods Catholic School ("Northwoods") had not been able to re-grade the FM 2920 roadside ditch due to rainy weather conditions. Mr. Hogan added that the contractor for Bridgestone Lakes will also re-grade a portion of the ditch as soon as weather permits.

Concerning the Kuykendahl Road/FM 2920 trunk utilities, Mr. Hogan reported that Jones & Carter had reviewed Pay Estimate No. 2 in the amount of \$170,440.56 for such project and recommended that payment be approved to Triple B Construction.

Mr. Hogan went on to report that the water and sanitary sewer lines to the Kroger Center (Klein Crossing Shopping Center) are complete and that water service to such development should be available within the next two (2) weeks. Mr. Hogan noted that a portion of the water line would need to be relocated due to a gas line being located in the wrong place.

Mr. Hogan then reported that Jones & Carter had reviewed Pay Estimate No. 4 in the amount of \$98,162.19 for the Lift Station No. 5 contract. Mr. Hogan noted that \$11,845.80 of such pay estimate will be applied to the \$200,000 that the District agreed to pay and that the remaining \$84,316.30 and all remaining pay estimates will be the responsibility of the developers splitting the cost of the project. Mr. Hogan recommended that the Board approve payment of Pay Estimate No. 4 to Conn's, Inc.

Mr. Hogan went on to report that Jones & Carter had submitted a report to the State Energy Conservation Office concerning the District's efforts to conserve energy pursuant to House Bill 5.

Concerning the Northwoods trunkline project and Lift Station No. 4, Mr. Hogan reported that a final inspection of the lift station was held on February 4, 2003, and there are several minor items that the contractor needs to address. Mr. Hogan stated that the lift station has permanent power and is now operational.

Mr. Hogan noted that there had not been any changes to the construction project timeline since the Board's last meeting.

Mr. Hogan then reported that Jones & Carter had completed the revised District boundary map and metes and bounds description to include the annexation of the 235+ acres at the end of 2002 and that such items had been provided to Ms. Bobbitt's office.

Mr. Hogan noted that there was a great deal of activity on the 53-acre Wal-Mart tract.

Mr. Hogan next discussed the status of the Engineering Report for the proposed seventh (7th) bond issue. Mr. Hogan reviewed the Summary of Costs to be included in the proposed bond issue, a copy of which is attached hereto, and noted that the bond application to the Texas Commission on Environmental Quality (the "TCEQ") would be in the amount of \$5,650,000. Mr. Hogan reported that the Engineering Report should be ready to submit to the TCEQ prior to the Board's April meeting and noted that the application to the TCEQ was being prepared for expedited review. A discussion then ensued concerning the TCEQ's review process and changes in personnel that might affect the timing of the TCEQ bond application review. Upon motion by Director Dill, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to adopt a Resolution Authorizing Application to the TCEQ for Approval of Project and Seventh Issue of Bonds, a copy of which is attached hereto. Ms. Bobbitt noted that such action will be ratified at the April meeting.

Director Warren then re-entered the meeting at 8:20 p.m. and Mr. Almaguer exited the meeting.

Mr. Hogan then briefly reviewed the Construction Plans Review summary attached to the Engineer's Report.

The Board next reviewed the Summary of Engineering Hours Billed in 2002, a copy of which is attached hereto. Mr. Hogan noted that the summary shows a comparison of the hourly rates billed in 2002 to the hourly rates to be utilized for 2003. Mr. Hogan stated that based on such comparison, the District would have paid \$1,398.25 more for the work done in 2002 based on the 2003 rates. Director Marks commented that the comparison was comprehensive, but his point at the February meeting was that Jones & Carter raised the hourly rates of only the individuals doing work for the District. Mr. Hogan again stated that Jones & Carter was not price gouging the District, but were trying to remain competitive with the engineering market. Director Dill asked what Ms. Bobbitt had learned from her review of the Jones & Carter contract with the District. Ms. Bobbitt stated that the Jones & Carter contract does not require Board's approval of the annual hourly rate increases.

Mr. Hogan went on to report that the contractor for the installation of the new ground storage tank at Water Plant No. 1 was working on the final punch list items and noted that the final pay estimate would be submitted for the Board's approval at the April meeting. Mr. Hogan noted that the new ground storage tank and Water Plant No. 2 were fully operational.

Mr. Hogan then stated that he would be leaving Jones & Carter on March 21, 2003, just short of his 25th anniversary with the firm. Mr. Hogan stated that he did not know who would now be assigned to represent the District, and explained that Jones & Carter has several offers of employment pending to individuals. Mr. Hogan added that Mr. Peterson would continue to work on the District. Director Dill stated that he was shocked to hear the news and expressed his appreciation for the time and effort Mr. Hogan had given on the District's behalf.

Upon motion by Director Warren, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, approve payment of Pay Estimate No. 2 for the Kuykendahl Road/FM 2920 trunkline project in

the amount of \$170,440.56, and approve payment of Pay Estimate No. 4 for the Lift Station No. 5 project in the amount of \$98,162.19.

RATIFY APPROVAL OF ASSIGNMENT OF RIGHTS OF UTILITY COMMITMENT AND AGREEMENT FOR FINANCING OF FACILITIES AND ANNEXATION AND SERVICE AGREEMENT REGARDING 53-ACRE TRACT

Ms. Bobbitt then reminded the Board that at the February 10, 2003 meeting, the Board approved and acknowledged the assignment of rights of the utility commitment and the Agreement for Financing of Facilities and the Annexation and Service Agreement from Frank Fitzgerald, Trustee to A-K-S 57 NEC FM 2920-Kuykendahl, L.P., but such item had not been on the agenda and, therefore, ratification of such action was necessary. Upon motion by Director Dill, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to ratify the approval and acknowledgement of such assignments.

DISCUSS FEASIBILITY OF DISTRICT ASSUMING RESPONSIBILITY FOR CONSTABLE SECURITY SERVICE AGREEMENTS FOR BRIDGESTONE AND BRIDGESTONE WEST

Discussion was deferred on this matter.

ASSIGNMENT OF RIGHTS UNDER ANNEXATION AND SERVICE AGREEMENT AND AGREEMENT FOR FINANCING OF FACILITIES – H.H. ESTATES, LP

Ms. Bobbitt next explained that H.H. Estates, LP had recently sold the 50-acre tract that they had annexed into the District, and were requesting approval and acknowledgement by the Board of the assignment of rights under the Annexation and Service Agreement and the Agreement for Financing of Facilities for such tract to D. R. Horton-Texas LTD. Upon motion by Director Warren, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve and acknowledge the assignment of rights. A copy of the assignment and acknowledgment is attached hereto.

DISCUSSION REGARDING PROPOSED MEETING FACILITY WITHIN THE DISTRICT

The Board determined that further discussion of this matter would be deferred until the Board has hired a General Manager.

ATTORNEY'S REPORT

Ms. Bobbitt reported that the North Harris County Regional Authority (the "NHCRWA") recently sent letters to districts that had previously indicated that they wanted to participate in the Phase 1 Groundwater Transfer Projects to obtain current information from each district, a copy of which letter is attached hereto. Ms. Bobbitt added that the NHCRWA Engineering Manager would contact each district's engineer.

Ms. Bobbitt then reported that a letter from the NHCRWA notifying districts of their intent to issue \$160,550,000 in bonds at the end of 2003 or early 2004 had been received and had been distributed to the Board, a copy of which is attached hereto. Ms. Bobbitt noted that the District's capital contribution will be \$1,781,409. Ms. Bobbitt stated that an item to discuss the

District's options will be placed on the April agenda, and that the financial advisor would be contacted about preparing a recommendation regarding such matter. A discussion ensued concerning the District's options. The consultants concurred that the issuance costs would be lower for the NHCRWA's bond issue than the issuance costs for District bonds. Ms. Bobbitt noted, however, that the District may be able to place the District's pro rata share of the capital contribution in the District's seventh (7th) bond application that will soon be forwarded to the TCEQ for review and approval.

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

DISCUSSION REGARDING PROPOSED MEETING FACILITY WITHIN THE DISTRICT

Director Warren reported that he had found that the District could purchase a 14' by 48' metal building from Morgan Buildings for between \$21,900 and \$25,000. Director Warren added that such price includes an ADA-compliant bathroom and that a plumbing connection would be necessary. Director Warren stated that the Board should consider purchasing such a metal building.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 9:10 p.m. and announced that the Board would convene in executive session pursuant to Section 551.074, Texas Government Code, as amended, to discuss personnel matters. All of the members of the Board, Messrs. Hogan and Peterson, Ms. Jarmon, Ms. Bobbitt and Ms. Dold attended the executive session.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 9:42 p.m., at which time the Board took the following action.

Upon motion by Director Warren, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to offer the General Manager position to Mr. Gene Conner, contingent upon him accepting one (1) week of paid vacation during the first six (6) months of employment and two (2) additional weeks of vacation the following six (6) months (only a total of two (2) weeks vacation to be paid annually). Director Steffes stated that he would contact Mr. Conner in the morning regarding the Board's decision on such matter. The Board concurred that if the vacation portion of the District's offer was not negotiable and Mr. Conner would not accept the offer, Director Steffes would contact Mr. Burke. Director Steffes stated he will contact the other Board members and Ms. Bobbitt concerning Mr. Conner's response.

There being no further business to come before the Board, the meeting was adjourned at 9:45 p.m.

PASSED, APPROVED AND ADOPTED this 14th day of April, 2003.

/s/Robert J. Joyce

Secretary, Board of Directors

(DISTRICT SEAL)

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