

NO. 2003-10

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
May 12, 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, May 12, 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, except Director Joyce, 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 of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Ms. Karen Sears and Mr. 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. ("Sowell"), developer of the Rhodes Landing subdivision within the District; Mr. Jim West of West/Hallbeck Investments, representing the owners of a 9.9-acre commercial tract within the District; Mr. Ron Walkoviak, P.E. of Development Consultants Inc., development manager of the Spring Terrace subdivision within the District; Mr. Nick Ozuna, Jr., Project Manager - Land for MHI Partnership, Ltd. ("MHI"), prospective builder in the Spring Terrace subdivision within the District; Mr. Bryan S. Smith of Centex Homes ("Centex"), prospective builder in the Spring Terrace subdivision within the District; Messrs. James E. Moehlman, P.E. and John R. Moy, P.E. of LJA Engineering & Surveying, Inc., engineers for the Spring Terrace subdivision within the District; Mr. Jim Mercer, P.E. of J.H. Mercer Engineers, representing Eagle Water Management ("Eagle Management"); Mr. Victor R. Bailey, Jr. of Stimac Enterprises, developer of a 15-acre commercial tract located outside of the District; Mr. Randy Trncak of KB ("KB"), developer of the Springbrook subdivision within the District; Messrs. Perry Senn and Ronnie Matthews of

H.H. Estates, LP ("H.H. Estates"), owner of a 24-acre 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

Director Warren requested that the Board consider Mr. Bailey's request for service/annexation of a 15-acre tract of land located on FM 2920 east of Rhodes Road outside of the District. Mr. Bailey explained that Mr. Gary Stimac had previously approached the Board for water and sewer service to the tract, and the District had denied the request due to the fact that Mr. Stimac was not willing to annex the property into the District. Mr. Bailey stated that he was at tonight's meeting to request service and annexation into the District. Director Warren questioned the requirement for a \$3,000 deposit for a feasibility study regarding annexation of and utility service to the tract. Ms. Bobbitt explained that it has long been the District's policy that the engineers prepare a feasibility study for all requests for service and annexation, and that the entity requesting the service provide a deposit to cover the District's costs of such feasibility study. Mr. Shackelford added that in the past, the Board has not been willing to provide water and sewer service to tracts located outside of the District. Mr. Bailey then submitted an application for service/annexation and a check in the amount of \$3,000. Mr. Shackelford explained that Jones & Carter must review and determine what the capacity needs of the property will be and determine the costs to extend utility lines to serve the property.

Ms. Hall then entered the meeting at 6:15 p.m.

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 accept the application for service/annexation and authorize Jones & Carter to prepare a feasibility study for service to the 15-acre tract.

Director Warren then noted that prior to the start of the Board meeting, a resident had come into the meeting room to see if he could obtain a refund from the District for the voluntary donations that he paid on his water/sewer service bill.

Mr. Bailey then exited the meeting at 6:20 p.m.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of the regular meeting of April 14, 2003, previously distributed to the Board. 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 meeting of April 14, 2003, as written.

Approval of the minutes of September 25, 2001, July 17, 2002, August 29, 2002, October 23, 2002 and April 16, 2003 was deferred.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of April, a copy of which is attached hereto. Ms. Hall reported that 96% of the District's 2002 taxes had been collected to date.

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 approve the Tax Assessor/Collector's Report and authorize payment of the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto.

APPROVE PARTIAL ASSIGNMENTS OF RIGHTS AND ASSUMPTION AGREEMENTS UNDER ANNEXATION AND SERVICE AGREEMENT AND AGREEMENT FOR FINANCING FACILITIES

Ms. Bobbitt then reminded the Board that at the April meeting, Mr. Walkoviak had presented a Partial Assignments of Rights and Assumption Agreements Under Annexation and Service Agreement and Agreement for Financing Facilities from Proguard Mini Storage, Ltd. ("Proguard") to Centex, but that the items had not been included on the April 14th meeting agenda and were deferred to tonight's meeting. 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 approve the Partial Assignments of Rights from Proguard to Centex and authorize the President of the Board to execute the Acknowledgement of same. Copies of the Partial Assignments of Rights and Acknowledgment are attached hereto.

In addition, Ms. Bobbitt added that Mr. Walkoviak had also presented copies of a Partial Assignments of Rights and Assumption Agreements under Annexation and Service Agreement and Agreement for Financing Facilities from Centex to MHI at the April 14th meeting. Ms. Bobbitt noted that tonight's agenda included an action item on such items. 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 approve the Partial Assignments of Rights from Centex to MHI and authorize the President of the Board to execute the Acknowledgement of same. Copies of the Partial Assignments of Rights and Acknowledgment are attached hereto.

Director Marks then entered the meeting at 6:25 p.m.

DIRECTOR'S INSPECTION REPORT

Mr. Conner reported that he and Director Joyce had inspected the District's facilities on May 9, 2003. Mr. Conner stated that while they were inspecting Water Plant No. 1, a resident

stopped to complain about an odor in her hot water. Mr. Conner stated that the odor appears to be coming from Water Well No. 2-2. Mr. Conner stated that he would monitor the situation.

Director Warren stated that the District's lots need mowing. Director Marks commented that although the lots were recently mowed on May 9^h, the contractor needed to return and cut the grass shorter.

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 Director's Report.

CONSIDER REQUEST FOR SERVICE AND AUTHORIZE FEASIBILITY STUDY REGARDING 24-ACRE TRACT

The Board then recognized Messrs. Senn and Matthews, who requested service to a 24-acre tract of land located on Kuykendahl Road across from Bridgeview Lane within the District. Mr. Senn stated that H.H. Estates plans to develop the tract into 116 single-family residential lots. Mr. Senn submitted his application for service and a check in the amount of \$3,000 and requested that Jones & Carter prepare a feasibility study for the tract. 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 accept the application for service and authorize Jones & Carter to prepare a feasibility study on the 24-acre tract.

REVIEW ANNEXATION FEASIBILITY STUDY FOR EAGLE MANAGEMENT TRACT

Mr. Peterson then distributed copies of the feasibility study for the Eagle Management 3.91-acre tract of land located outside of the District on Spring-Cypress Road and southwest of the Stone Forest Subdivision, a copy of which is attached hereto. Mr. Peterson noted that the proposed development on the tract includes a 5,000-square foot office warehouse and potentially a restaurant. Mr. Peterson explained that an existing 12-inch waterline located at the western right-of-way ("ROW") of Stone Forest Drive and along the northern ROW of Spring-Cypress Road could be extended to serve the tract. Mr. Peterson explained that sewer capacity may be available when the land is developed, but that the Sewage Treatment Plant (the "STP") may need to be expanded to provide adequate sewer capacity to the tract. Mr. Peterson stated that from an existing sanitary sewer manhole located at the western ROW of Stone Forest Drive, the sanitary sewer line could be extended along the northern ROW of Spring-Cypress Road to serve the tract. Mr. Peterson added that Harris County (the "County") may require a detention facility for discharge into the Spring-Cypress roadside ditch. Mr. Peterson noted that the estimated costs to serve the tract, including the water and sanitary sewer line extensions, were included in the summary of costs contained in the feasibility study. Mr. Peterson stated that the proposed development has a projected value of \$875,000 and based on the estimated project costs, would support a developer reimbursement of 83.1%. Mr. Peterson added that bonds totaling approximately \$77,000 would be required to finance 100% of the eligible utility costs for the tract, but noted that the tract had not been included in the August 2001 bond authorization election.

Mr. Harrison then entered the meeting at 6:35 p.m.

Director Marks asked if the cost of easement acquisitions for the utility lines was included in the estimated \$77,000 bond amount. Mr. Peterson confirmed that easement acquisition costs were included in the summary of costs. 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 accept the feasibility study and to authorize preparation of the Annexation and Service Agreement and Agreement for Financing of Facilities to serve the 3.91-acre Eagle Management tract. Director Dill expressed concern over whether Eagle Management understood that the District would only provide a capacity commitment on the tract for a one (1) year period. Mr. Mercer indicated that both he and the owner were aware of the one (1) year limitation on the capacity commitment and the existence of some open-ended issues that need to be addressed at the time that the tract receives service from the District.

Mr. Mercer then thanked the Board and exited the meeting at 6:45 p.m.

DISTRICT MASTER PLAN

Mr. Shackelford then reminded the Board that last month, a discussion of developing a Master Plan for the District had been initiated in connection with the request for service and annexation by Mr. Ward concerning a 154-acre tract of land located north of FM 2920 and across from Doerre Road. Mr. Shackelford then reviewed an aerial photograph of the District overlaid on the District's existing boundaries reflecting the current capacity commitments of the District (orange lines) and potential boundaries for additional development (dotted yellow lines) in the District. Mr. Shackelford explained that Jones & Carter looked at prospective short-term development that would likely occur in the next five (5) years and prospective long-term development that would likely occur in the next ten (10) years in and around the District to determine to what extent the District may want to extend its boundaries. Mr. Shackelford noted that the map targeted 13 tracts totaling 1,736 acres that were areas of potential development. Extensive discussion then ensued regarding the development map. Mr. Shackelford then posed two (2) questions for the Board to consider, including: 1) does the District want to expand beyond its current commitments for service and annexation; and 2) how much does the District want to manage and control future development in the surrounding area of the District? Concerning the development map, Mr. Shackelford noted that tract nos. 1 and 2 consisting of 699 acres located west of Kuykendahl Road would require the District to build a second STP. Director Steffes asked about plans for a regional STP plant in the area. Ms. Bobbitt stated that the District's existing STP was originally designated as a regional plant by the City of Houston. Mr. Shackelford noted that Jones & Carter will continue to develop, analyze and refine the Master Plan and identify the projected water and wastewater needs and compare such needs to the capacity commitments already in place. Mr. Shackelford also stressed that drainage would be a strong determining factor regarding future development in the vicinity of the District. The Board concurred that Jones & Carter should continue with development of the Master Plan for the Board's further consideration at the June meeting. Mr. Shackelford added that once the Master Plan is completed, Jones & Carter can move forward with the feasibility study on the Ward tract.

Mr. Senn then exited the meeting at 7:07 p.m.

DEVELOPER'S REPORTS

Mr. Hudson first reported that a sales trailer would be on-site in Bridgestone Lakes by the end of the month. Mr. Hudson stated that he was still waiting for CenterPoint Energy to install electrical power in the subdivision but until then, builders will use temporary power. Mr. Hudson stated that he had closed on the loan for Bridgestone Lakes, Section 2 and that the plat for such development had been recorded.

Concerning Gosling Pines, Mr. Hudson reported that the clearing and grubbing contractor would begin work in Section 1 this week. Mr. Hudson stated that the detention pond would be constructed and then Section 2 would be cleared.

Ms. Hall then exited the meeting at 7:12 p.m.

Mr. Haaland reported that he had nothing new to report concerning Stone Forest, Sections 2 and 3. Mr. Haaland added that the contractor was working on finalizing the detention pond in order to obtain acceptance by the Harris County Flood Control District (the "HCFCD").

Mr. Harrison then reported 35 sales in Rhodes Landing and that approximately one-half (½) of the 192 lots in the subdivision had been taken down by the builder. Mr. Harrison stated that he is waiting on acceptance of the streets by the County.

Mr. Trncak reported that Springbrook, Section 1 was mostly developed and that Springbrook, Section 2 was under construction. Mr. Trncak stated that he wanted to discuss with the Board the possibility of sharing the cost for providing temporary sewage service to the new subdivision within the District. Mr. Trncak explained that the first residents were expected to move into the subdivision in June, and that the force main and lift station will not be completed by that time and, therefore, the contractor will plug the manhole and pump sewage from the line until such facilities are completed. Mr. Trncak reported that the sewage pumping would be done by Environomics at a cost of \$95 per hour with a minimum of four (4) hours. Mr. Trncak asked what the Board's position was on reimbursing KB for a portion of the cost for the sewage pumping. Director Dill inquired why the District would want to pay a portion of the cost for the sewage pumping. Mr. Trncak stated that some districts are willing to participate or reimburse the developer for a portion of such costs when the utility facilities are not ready at the time residents begin to occupy homes in a new subdivision.

Messrs. Matthews and Harrison then exited the meeting at 7:19 p.m.

Mr. Trncak then reviewed the developer's land plan for Springbrook, Sections 1 and 2, noting that drainage for the development will flow into the Springbrook detention pond and ultimately flow into the Northwest Harris County Municipal Utility District No. 30 ("NW No. 30") drainage ditch. Mr. Trncak explained that NW No. 30 had verbally approved KB connecting to the NW No. 30 drainage ditch a number of months ago, but that such approval was not recorded in the NW No. 30 minutes, and that NW No. 30 subsequently stated that it had not agreed to use of the NW No. 30 ditch by KB. Mr. Trncak explained that Mr. Paul Bacon, the NW No. 30 attorney, and Mr. Mark Adam, the NW No. 30 engineer, had prepared a cost sharing plan and Agreement for Joint Use and Maintenance of Drainage and Detention Facilities by and between NW No. 30, Northwest Harris County Municipal Utility District No. 32 and KB, which

includes payment by KB of \$350,000 for their share of the detention pond and drainage ditch construction costs and a pro rata share of ongoing maintenance costs of such facilities in the amount of 11.7%. Mr. Trncak added that the NW No. 30 position regarding the use of the drainage ditch would impact other tracts in the District, including the Klein and Terpstra tracts located north of FM 2920. Mr. Trncak noted that KB was continuing to assess its legal position on the matter. Mr. Trncak stated that Springbrook, Section 3 is under design by Jones & Carter, and that KB has projected that lots will be ready in such section of development by the first quarter of 2004. Mr. Trncak reported that the HCFCFD told KB to drain into the NW No. 30 drainage ditch, and that the NW No. 30 detention pond is designed to take flow from the KB development. Mr. Trncak stated that KB would like the Board to consider allowing reimbursement to KB for the drainage costs paid to NW No. 30.

The Board then questioned why the District should become involved in the matter. Ms. Bobbitt commented that it was unfortunate that the HCFCFD has placed the Springbrook development in such a position. Ms. Bobbitt stated that KB will require extensive documentation from NW No. 30 in order to substantiate any claims for reimbursement that may be submitted by the District to the Texas Commission on Environmental Quality (the "TCEQ"). Mr. Shackelford stated that he had worked on the County guidelines for new development when he was still working for the County and that although the County guidelines have been finalized and implemented, they still do not deal with maintenance issues and require many communities to construct their detention ponds. Mr. Hudson interjected that back in 1986, his company had deeded land to the County for drainage, but he did not know if the deed was ever accepted by the County. Mr. Shackelford stated that he could check on the matter with the County. Mr. Peterson stated that including funds for the NW No. 30 drainage cost in the KB reimbursement may still fit into the original feasibility study prepared for the Springbrook tract.

Director Dill asked if the Agreement for Financing of Facilities with KB was already in place when the District developed its current reimbursement policies and procedures. Ms. Bobbitt responded that the Agreement for Financing of Facilities with Mr. Klein that was later assigned to KB was in place prior to the development of the District's reimbursement policies and procedures and utilizes different reimbursement calculations. Director Dill then asked whether the interconnect agreement between the District and NW No. 30 should be amended to include payment of the North Harris County Regional Water Authority pumpage fees. Ms. Bobbitt stated that she would review the interconnect agreement with NW No. 30 regarding such issue.

Concerning Spring Terrace, Mr. Walkoviak then reviewed with the Board a revised land plan for the development, a copy of which is attached hereto. Mr. Walkoviak then introduced Mr. Smith representing Centex, Mr. Ozuna representing MHI and Messrs. Moehlman and Moy, engineers for the Spring Terrace subdivision. Mr. Walkoviak explained that the lots in Spring Terrace will be developed by Centex and MHI. Mr. Walkoviak added that Mr. Amber has retained a 9.8-acre tract on FM 2920 and a 7-acre tract north of Boudreaux Road for commercial development. Mr. Walkoviak then requested authorization to advertise for bids for clearing and grubbing in connection with the Spring Terrace development. 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 authorize the advertisement for bids for clearing and grubbing for the Spring Terrace development.

Messrs. Smith, Ozuna, Moehlman and Moy then exited the meeting at 7:55 p.m.

Mr. West then reported that 2920-Kuykendahl Partners, Ltd. is moving forward with development of the 9.9-acre commercial tract.

Messrs. Trncak and West then exited the meeting at 8:00 p.m.

OPERATOR'S REPORT

Mr. Almaguer then reviewed the Operator's Report for the month of April, a copy of which is attached hereto. Mr. Almaguer reported that the water accountability ratio for the month was 89.7%, with a four (4) month average of 90.7%, and that there were eight (8) sludge hauls during the month. Mr. Almaguer added that there are currently 2,418 connections in the District, including 96 builder accounts and 35 vacancies. Mr. Almaguer noted that there had been no excursions at the STP during the prior month, and there are four (4) months remaining on the District's Harris-Galveston Coastal Subsidence District (the "HGCSO") water withdrawal permit.

Mr. Almaguer next reviewed the draft of the District's 2002 Consumer Confidence Report (the "CCR"), a copy of which is attached to the Operator's Report. Mr. Almaguer reported that the President's Message had been revised, as discussed at the April meeting.

Ms. Sears noted that a spreadsheet breaking out the tap and inspections fees collected during the month had been added to the Operator's Report, as requested at the April meeting.

Ms. Sears also reported that Aqua Services mailed out to the residents the notice of the Harris County Electronics Waste Recycling Event scheduled for Saturday, May 17, 2003, at the Barbara Bush Library, under separate cover at no cost to the District.

Mr. Almaguer then presented results of the Water Well No. 1 well performance test, a copy of which is attached hereto. Mr. Almaguer noted that brass was detected in the well, which indicates wear within the pump bowl, but that GM Services did not advise any corrective action at this point. Mr. Almaguer stated that Aqua Services would monitor the well and noted that winter would be the time to pull the pump to make any necessary repairs. The Board requested that Aqua Services perform another well performance test on the well in three (3) months.

Mr. Almaguer next reported that the sinkhole at Rhodes Road and Kuykendahl Road had been backfilled and mudjacked, and that Aqua Services will continue to monitor the matter. Mr. Shackelford noted that the County had performed the repair work.

Mr. Almaguer then reported that he had obtained a cost estimate of \$2,100 for the installation of correction capacitors for booster pump nos. 1 and 2 at Water Plant No. 2. Mr. Almaguer stated that he would have Jones & Carter check the specifications of the capacitors before he ordered them.

The Board then discussed the low water accountability ratio. Mr. Almaguer noted that during the last two (2) to three (3) months, Aqua Services has done a lot of line flushing in areas

of the District with new development and construction. Mr. Almaguer stated that the flushing makes it difficult to account for water usage.

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 the Operator's Report, the service terminations to the delinquent accounts and the 2002 CCR for filing with the TCEQ and distribution to the residents.

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 the cost sharing payments for the Kuykendahl Road/FM 2920 trunk utility lines and Lift Station No. 5 were continuing to come in from each of the developers on a timely basis. Ms. Jarmon noted that she had received Association of Water Board Directors – Texas Summer Conference registrations from Director Dill and Mr. Conner, but had not received a registration form from Director Warren. Ms. Jarmon then provided Director Warren with a registration form to complete. Director Steffes asked Ms. Jarmon to call him regarding his registration form.

Ms. Jarmon next reported that the checks being presented for approval include payment of Pay Estimate No. 6 to Conn's Inc. ("Conn's") in the amount of \$27,032.58 in connection with the construction of Lift Station No. 5 and Pay Estimate No. 4 to Triple B Construction ("Triple B") in the amount of \$197,921.75 in connection with the Kuykendahl Road/FM 2920 trunk utility project.

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 the Bookkeeper's Report and the payment of the checks reflected therein.

ENGINEER'S REPORT

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

Mr. Peterson first reported that Jones & Carter has revised the bond application report for the District's \$5,650,000 seventh bond issue and is waiting to receive various items requested from the District's consultants and developers in order to finalize the bond application.

Mr. Peterson went on to report that Jones & Carter had met with representatives of the HCFCD concerning the Bonds Gully modification project, and expect the HCFCD to approve the Jones & Carter study upon receipt of the additional information that was requested at such meeting. Mr. Peterson stated that the HCFCD will allow the ditch to be phased as long as each phase is consistent with the design guidelines for HCFCD ditches. Mr. Peterson added that Jones & Carter is reviewing the different phasing options and will have a recommendation for the Board's consideration at the June meeting.

Concerning the Kuykendahl Road/FM 2920 trunk utility and Lift Station No. 5 projects, Mr. Peterson recommended payment of Pay Estimate No. 4 in the amount of \$197,921.75 to Triple B in connection with the Kuykendahl/FM 2920 trunk utility project and Pay Estimate No. 6 in the amount of \$27,032.58 to Conn's in connection with the construction of Lift Station No. 5.

Mr. Peterson then reported that it is his understanding that the engineer and surveyor for Sowell are preparing the metes and bounds description and exhibit for the access road easement for the Rhodes Landing detention basin. Director Marks questioned how the access road and easement were omitted from the plans and specifications for the detention basin. Mr. Shackelford responded that he did not know why the access road and easement were not included on the plans and specifications. Mr. Shackelford explained that the owner of the Rhodes Road retail center has agreed to allow the District to access the detention basin via the concrete drive already in place for truck deliveries behind the retail center. Discussion then ensued regarding development of the District's policies and procedures for the construction, operation and maintenance of detention ponds. Mr. Conner noted that the District must have access to the pump controls for the detention pond. Ms. Bobbitt reminded the Board that it had discussed calculating the maintenance costs for the detention pond for a 20-year period and deducting such costs from the developer's reimbursement since the Board had determined it did not want the Bridgestone Homeowners Association (the "Bridgestone HOA") to operate and maintain the detention basin pumps. Mr. Shackelford added that the District will need an all-weather route to access the pumps, and that the developer will need to install a maintenance pad and gate for the District at the developer's expense.

Mr. Peterson next reported that Mr. Shackelford, Ms. Bobbitt, Mr. Conner and he had recently met to discuss options and potential items to be included in the District's construction guidelines for new development and were continuing to work on such guidelines.

Concerning the request from Klein United Methodist Church ("KUMC") for water and sewer service, Mr. Peterson reported that water service was already available to the tract, across FM 2920, and stated that the best route for sanitary sewer service would be to lay a gravity line along the north side of FM 2920 to an existing manhole west of Kuykendahl Road. Mr. Peterson estimated a cost of \$58,000 to \$60,000 for the installation of 800 feet of line, including easement acquisition, engineering and contingency costs. Mr. Peterson noted that if the Wal-Mart tract granted a sanitary sewer easement across its property for the sewer line, KUMC may realize a cost savings of \$10,000 to \$12,000. A brief discussion then ensued concerning easement acquisitions in connection with the installation of additional utility lines within the District. The Board then directed that in the future, water and sanitary easements be obtained along all thoroughfares that abut and/or are adjacent to property being developed in the District.

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 approve the Engineer's Report and payment of the pay estimates outlined above.

Mr. Harrison then re-entered the meeting at 8:55 p.m.

GENERAL MANAGER'S REPORT

Mr. Conner then distributed copies of his report for the Board's review, a copy of which is attached hereto. Mr. Conner stated that he is still trying to get a high speed DSL connection for the office computer.

Mr. Conner first reviewed the numerous meetings he has attended over the past month and noted that issues concerning the Klein Crossing Shopping Center, the Bridgeview Plaza and the Marcin Drive retail centers were still being addressed.

Mr. Conner reported that Mr. Ridgway of NewQuest Properties had submitted plans for review by Jones & Carter in connection with the Walgreens development for the extension of the 12-inch water main from the northwest corner of Kuykendahl Road and Spring-Cypress Road to the northeast side of the intersection and along the southern boundary of their property to the eastern edge of the tract. Mr. Conner further noted that a 12-inch by 8-inch tee is proposed for the future extension of an 8-inch water line along the east side of Kuykendahl Road to a point north of the existing car wash center.

Concerning the proposed change of the Board's monthly meeting date, Mr. Conner reported that Bridgestone Baptist Church (the "Church") was unable to accommodate the District on the third Tuesday of the month. Mr. Conner went on to explain that the new Bridgestone HOA building is projected to be completed on or around the first of July, 2003, and the District has been offered the use of such facility for the monthly Board meetings. Director Warren stated that he has requested use of the facility for the third Tuesday of each month for the District's meetings. Mr. Conner suggested that the Board continue to meet at the Church in June or until the Bridgestone HOA meeting facility is ready.

Mr. Conner next discussed the proposed set-up for the blending of water from each of the District's wells to deal with the high levels of fluoride in Water Well No. 2-2. A discussion ensued concerning the options for dealing with the high fluoride levels. Mr. Conner explained that Water Well No. 2-1 must run approximately 60% of the time to adequately reduce the fluoride levels coming from Water Well No. 2-2. Ms. Bobbitt suggested that the General Manager or Jones & Carter contact Mr. Tony Bennett at the TCEQ regarding the fluoride levels. Mr. Shackelford stated that Jones & Carter would continue to review the problem with Aqua Services and Mr. Conner.

Mr. Conner then reported that Cathco, Inc. ("Cathco") is going to inspect the District's fire hydrants at no cost to the District and provide a punch list of any needed repairs. Director Steffes commented that Cathco should also inspect the fire hydrants along Kuykendahl Road, as it appears they were not installed on a consistent basis.

Mr. Conner added that the County has informed Mr. Shackelford that the County will re-grade the access road to the STP and provide permanent paving of the road by the end of this year.

Director Marks asked if something could be done to control the amount of dirt and dust coming off the Bueker development on FM 2920 at Marcin Drive. Director Dill observed that

the developer may be in violation of the stormwater prevention rules. Mr. Conner stated he would contact Mr. Bueker regarding the matter.

Mr. Conner next reported that his insurance agent at King Phillips Insurance Agency is reviewing his request for general liability insurance coverage for his company.

Mr. Conner went on to report that Kimmons and Associates has been asked to provide a proposal to the District for a vulnerability assessment of the District's facilities.

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 General Manager's Report.

ATTORNEY'S REPORT

Ms. Bobbitt briefly discussed a memorandum concerning the District's groundwater credits accumulated from the District's participation in the HGCSO Water Wise Program at Roth Elementary School, a copy of which is attached hereto. Ms. Bobbitt added that the credits will likely become a valuable commodity over the next several years, and noted that several entities are currently interested in buying the groundwater credits.

Ms. Bobbitt then discussed the response letter from Bhai Investments Inc. ("Bhai") regarding the proposed terms for the acquisition of a sanitary sewer line easement from such entity, a copy of which is attached hereto. Discussion then ensued regarding the District's options concerning acquisition of the necessary easement. 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 enter into an agreement with Mr. Bhai that in exchange for him granting a sanitary sewer line easement to the District, the District will connect the Bhai tract to the District's water and sanitary sewer system at no cost and provide water and sewer service at out-of-District commercial rates, with the stipulation that the Bhai tract will be annexed into the District within the next three (3) years.

There being no further business to come before the Board, the meeting was adjourned at 9:40 p.m.

PASSED, APPROVED AND ADOPTED this 9th day of June, 2003.

/s/Bob Joyce

Secretary, Board of Directors

(DISTRICT SEAL)