

NO. 2003-11

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
June 9, 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, June 9, 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. 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., 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 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., prospective developer/builder in the Spring Terrace subdivision within the District; Mr. Victor R. Bailey, Jr. of Stimac Enterprises, developer of a 15-acre commercial tract located outside of the District; Mr. Jim Ridgway, P.E. of NewQuest Properties ("NewQuest"), developers of the Walgreens and Wal-Mart commercial developments within the District; Mr. Perry Senn of H.H. Estates, LP ("H.H. Estates"), owner of a 24-acre tract within the District; Ms. Carolyn Faour and Mr. Gary Palmer, residents 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.

APPROVAL OF MINUTES

The Board first considered approval of the minutes of the regular meeting of May 12, 2003, previously distributed to the Board. Director Dill noted a correction on page 10 of such minutes regarding easement acquisitions from developers. 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 May 12, 2003, as corrected.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of May, a copy of which is attached hereto. Ms. Hall reported that 96.7% of the District's 2002 taxes had been collected to date. Ms. Hall reported that the District's preliminary assessed valuation for 2003 is \$283.9 million, which is an increase of approximately \$43 million over last year's valuation.

Ms. Hall then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Hall reported that suits had been filed against all delinquent accounts, except the account at 4723 Lost Lake Lane. Ms. Hall noted that the taxpayer for such property had made one (1) installment payment in April, but did not pay anything in May, and, therefore, it is recommended that a letter regarding the delinquent account be sent to the taxpayer. 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 authorize the delinquent tax attorney to send a demand letter to the property owner requesting payment of the delinquent taxes for the years 1999 through 2001 by July 14, 2003, with the understanding that if the delinquent taxes are not paid by such date, a suit is to be filed on such account.

Ms. Hall next reported receipt of a request from the property owner of 4535 Tanglecreek Lane for an installment payment plan to pay the delinquent taxes for 2002 in the base amount of \$700. Ms. Hall stated that the taxpayer has proposed payment of \$150 per month for six (6) months. Upon motion by Director Joyce, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the proposed installment payment plan, with the requirement that the delinquent taxes be paid in full by November, 2003.

Upon motion by Director Joyce, 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.

Ms. Hall added that she had prepared a complete list of delinquent tax accounts in the District and provided such list to Director Warren, in accordance with his request.

PUBLIC COMMENT

Ms. Faour, a resident on Westbridge Lane in Bridgestone West, then addressed the Board with her concerns about the development of property behind her house and asked the Board for information about the proposed development. Ms. Faour stated that survey crews had been on the property and told her that low income housing was going to be developed on the property. Director Steffes stated that he also lives in Bridgestone West. Mr. Senn identified himself as the developer of the 24-acre tract of land, and reported that he proposes to develop The Villages of Bridgestone subdivision on the property, which will include 116 single-family lots with a home price range of \$125,000 to \$150,000. Mr. Senn added that the plat for the development is scheduled to be approved by the City of Houston (the "City") on Thursday, June 12th. Mr. Senn stated that he would be glad to show Ms. Faour the land plan for the property when Mr. Matthews arrives at the meeting. Director Dill then explained that the District cannot control how a tract that is within the District is developed and that the District has no zoning powers. Ms. Faour asked how long the tract of land had been in the District. Director Dill responded that the tract has been in the District for at least 20 years. Ms. Faour added that the trees had been removed from the tract. Director Steffes stated that the trees were removed because they were located within a utility easement. Mr. Senn noted that the survey crew that Ms. Faour observed was preparing a preliminary survey to confirm the boundary lines of the tract and to determine whether any homeowners' fences are encroaching on the tract of land.

Director Marks and Mr. Walkoviak then entered the meeting and Ms. Faour exited the meeting at 6:26 p.m.

FEASIBILITY STUDY FOR STIMAC ENTERPRISES

Mr. Shackelford next reviewed the feasibility study for service and annexation of the proposed 15-acre Stimac office warehouse retail center north of FM 2920 across from Water Plant No. 2, a copy of which is attached hereto. Mr. Shackelford stated that the water capacity needed for the tract is 6,600 gallons per day ("gpd"), which is within the District's current capacities. Mr. Shackelford reported that there is an existing 12-inch waterline located along the southern right-of-way (the "ROW") of FM 2920 at Water Plant No. 2. Mr. Shackelford stated that the 12-inch waterline would need to be extended east along the southern ROW of FM 2920 approximately 130 feet and that an eight (8) inch waterline would need to be extended north under FM 2920 to the tract.

Concerning sanitary sewer service, Mr. Shackelford explained that the tract requires 6,600 gpd of capacity and noted that the timing of development may impact the District's ability to provide sanitary sewer capacity unless the District's Sewage Treatment Plant (the "STP") is expanded. Mr. Shackelford stated that there is an existing sanitary sewer manhole located at the northern ROW of FM 2920 at the eastern boundary of the Rhodes Crossing commercial development that could be extended eastward along FM 2920 to the western boundary of the tract and possibly across the eastern boundary of the tract. Mr. Shackelford noted that a 15-foot sanitary sewer line easement will be required from the developer across the tract.

Mr. Shackelford added that Harris County (the "County") and the Texas Department of Transportation may require stormwater detention for discharging to the roadside ditch along

FM 2920. Mr. Shackelford noted that any detention that may be required would be the developer's responsibility to construct, operate and maintain.

Concerning the annexation and financial feasibility of the referenced tract, Mr. Shackelford reported that the estimated assessed value of the developed tract is \$4,163,265, and that it would require approximately \$140,000 in bonds to finance 100% of the eligible utility costs for the tract. Mr. Shackelford stated that the financial analysis shows that 100% of the development costs can be financed by the District at the District's present reimbursement tax rate. A summary of costs and a reimbursement calculation are attached to the feasibility study. Director Dill recalled that the owner of the property had not previously been interested in annexation. Mr. Bailey interjected that Mr. Stimac has now decided that he wants to annex the tract into the District and would like to move ahead with the annexation process.

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 accept the feasibility study, to move forward with the annexation of the 15-acre Stimac tract upon receipt of an annexation deposit in the amount of \$5,000, and to authorize the District's engineer and attorney to prepare the necessary annexation documents and agreements.

FEASIBILITY STUDY FOR H.H. ESTATES

Mr. Shackelford then reviewed the feasibility study for the proposed 24-acre residential development along Kuykendahl Road at Bridgeview Lane, located within the District's boundaries. A copy of the feasibility study is attached hereto. Mr. Shackelford noted that as mentioned earlier, the developer is proposing to develop 116 single-family lots with an average home price of \$140,000.

Mr. Shackelford explained that the property will require 49,000 gpd of water capacity, which is available in the District's existing facilities. Mr. Shackelford went on to report that there is an existing 12-inch waterline along the western ROW of Kuykendahl Road that would need to be extended approximately 1,000 feet to the northern boundary of the property at an estimated cost of \$55,000 to provide water service to the tract. Mr. Shackelford noted that a 10-foot waterline easement will be required along the western ROW of Kuykendahl Road within the limits of the tract and extending across the tract to the northern boundary.

Concerning sanitary sewer service, Mr. Shackelford explained that the development will require 37,000 gpd of sanitary sewer capacity, which, depending on the timing of other developments, may require expansion of the STP. Mr. Shackelford added that there is an existing 10-inch sanitary sewer line along the back lots of Bridgestone West and located along the western boundary of the tract and also along the new Spring-Cypress Road.

Mr. Shackelford next explained that detention capacity for the tract was included in the recent expansion of Ditch "C" by the District, but that the developer may be required to pay impact fees to the Harris County Flood Control District. Mr. Shackelford added that the property's stormwater runoff will need to be incorporated into the County's existing storm sewer system and the District's linear detention ditch system.

Concerning the financial feasibility for the tract, Mr. Shackelford stated that the estimated assessed value for the 24-acre tract is \$16,240,000 and, based on Jones & Carter's analysis, the development would financially support itself at 100% developer reimbursement based on the District's reimbursement tax rate.

The Board then briefly discussed reimbursement by the developer to the District for the developer's pro rata share of the Ditch "C" improvement project. Mr. Shackelford stated that he would review the project-wide costs reflected in the reimbursement analysis to determine if a portion of the Ditch "C" improvement costs was allocated to the developer.

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 accept the feasibility study and to authorize the District's engineer and attorney to prepare the necessary agreements for financing of facilities to serve the development.

DEVELOPER'S REPORTS

Mr. Hudson reported that Bridgestone Lakes should have houses on the ground by the Board's July meeting.

Concerning Gosling Pines, Mr. Hudson reported that the clearing and grubbing contractor had begun work in Section 1.

Mr. Haaland reported that he had nothing new to report concerning Stone Forest, Sections 2 and 3.

Mr. Harrison then reported that there were 20 home sale closings this month in Rhodes Landing and stated he was waiting for acceptance of the streets by the County.

Concerning the Springbrook development, Mr. Shackelford reported that KB Home ("KB") had been notified by Northwest Harris County Municipal Utility District No. 30 ("NW 30") to disconnect the KB drainage pipe from the NW 30 drainage ditch by noon on Monday, June 9, 2003. A copy of the letter from NW 30 to KB is attached hereto. Mr. Shackelford added that it is his understanding that NW 30 has scheduled a special meeting on Wednesday, June 11, 2003, at 5:00 p.m. to further discuss the matter. Mr. West noted that he did not realize until recently that drainage for his property was dependent on the same drainage system that serves the Springbrook subdivision. Mr. West stated that at this point, he was not sure how drainage will be provided for his 9.9-acre tract. Director Dill noted that it was unfortunate that Mr. Trncak was not in attendance at tonight's meeting to update the Board on the matter. Director Steffes asked if NW 30's action would affect any other developments within the District or other areas outside of the District, and that it appears that only the KB and West developments will be affected. Mr. Shackelford responded that other developers have different drainage routes. Ms. Bobbitt noted that she had not heard anything from KB since the Board's last meeting regarding the NW 30 matter.

Mr. Walkoviak then reported that he had several items on the agenda concerning the Spring Terrace development, which he would address later with the Board.

Mr. Conner then requested that in the future, developers send written e-mail reports to him at least one (1) week before the regular meeting date. Mr. Conner explained that he will circulate the reports to the Board and consultants prior to each meeting. Ms. Bobbitt interjected that if a developer needs an item placed on the agenda, they should contact her office at least one (1) week to ten (10) days prior to the meeting date.

AUTHORIZE DESIGN OF LIFT STATION, FORCE MAIN, OFF-SITE WATERLINE, KUYKENDAHL ROAD DITCH AND DETENTION POND/STORMWATER PUMP STATION TO SERVE SPRING TERRACE

Mr. Walkoviak then requested authorization from the Board to design the lift station, force main, waterline and detention facilities to serve the Spring Terrace subdivision. 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 authorize Mr. Walkoviak to proceed with the design of the lift station, force main, off-site waterline, Kuykendahl Road ditch and detention/stormwater pump station to serve Spring Terrace.

AUTHORIZE ADVERTISING FOR BIDS FOR DETENTION POND AND STORMWATER PUMP STATION TO SERVE SPRING TERRACE

Mr. Walkoviak then requested authorization to advertise for bids for the detention pond and stormwater pump station to serve Spring Terrace. Mr. Shackelford noted that Jones & Carter has not yet approved the plans for the detention pond and stormwater pump station to serve Spring Terrace and recommended that the authorization for bid advertising be contingent upon approval of the plans by Jones & Carter. 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 authorize the advertising for bids for the detention pond and stormwater pump station to serve Spring Terrace, contingent upon Jones & Carter approving the plans for such facilities.

DISCUSSION REGARDING WAL-MART DEVELOPMENT

Mr. Shackelford then explained that based on his review, NewQuest had advertised for bids to construct the water and sanitary sewer facilities to serve the Wal-Mart development on March 31, 2003 and that such facilities are now under construction, but that NewQuest never came to the Board for authorization to advertise for bids or for the award of the utility construction contract. Mr. Shackelford also reported that Jones & Carter had reviewed the construction plans for the utilities and requested final revisions from NewQuest. Director Dill stated that NewQuest's actions appear to be in violation of the rules of the Texas Commission on Environmental Quality (the "TCEQ"). Mr. Ridgway stated that NewQuest thought they had authorization from the District to proceed with the construction and did not intentionally violate the TCEQ rules. Director Dill asked Mr. Ridgway if NewQuest expects the Board to approve reimbursement to NewQuest for the utilities without the District's engineer approving the plans and specifications. Mr. Ridgway stated that NewQuest has had an inspector on-site at the project and that they are prepared to uncover the lines for the District's inspection. Mr. Ridgway again stated that there had been a misunderstanding between the developer and Jones & Carter regarding the approval of the plans and the bidding process. Director Dill expressed concern that

the contractor had possibly bored under Kuykendahl Road without a permit. Mr. Ridgway stated that the contractor did obtain a permit from the County to make the bore. Mr. Shackelford stated that he intends to talk with someone at the County to better coordinate construction permitting with the District's approval of plans and specifications for utility projects. Mr. Shackelford added that based on his review, the storm system and detention drainage for the development appear to be private and not serve a public purpose and may not be reimbursable by the District. Mr. Shackelford then suggested that the contractor cease further work on the off-site water and sewer facilities and concentrate on the storm sewer/drainage system or the private on-site facilities. Director Warren then commented that no construction should go forward without the General Manager's approval and confirmation from Jones & Carter that the plans have been approved. Mr. Shackelford stated that his review of the Wal-Mart plans had been delayed somewhat because of his focus on the preparation of the District's policies and procedures for development and for stormwater and pumped detention.

Director Steffes inquired if Jones & Carter had reviewed the bid process for the Wal-Mart utilities. Mr. Shackelford responded that Jones & Carter is in the process of reviewing the bidding procedures and have presumed that the bid process was done correctly. Ms. Bobbitt stated that the TCEQ would determine if the project was bid properly and if NewQuest followed TCEQ rules in connection with the utility construction contract. Mr. Shackelford added that there would probably be change orders to the construction contract due to the Jones & Carter revisions on the plans and specifications, which may result in additional costs. Mr. Ridgway reminded the Board that the TCEQ will approve change orders that are required due to unforeseen circumstances. Mr. Shackelford noted that the District also needs to acquire the appropriate easements for the various utility lines from NewQuest. Mr. Ridgway explained that the easements will be recorded in separate instruments, but are typically not recorded on developer property prior to the beginning of construction. Mr. Ridgway added that the easements will be recorded after the recording of the plat, and that any adjustments to the easement location that are caused by adjustments to the utility line location would be made prior to the recording of the easements. Mr. Ridgway stated that the contractor was in the process of installing the sanitary sewer line and had approximately 30% of such line in the ground.

Director Steffes then announced that the meeting needed to be moved to another meeting area upstairs due to a scheduling conflict and called for a ten (10) minute recess.

Director Marks then exited the meeting at 7:35 p.m.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 7:45 p.m. and announced that the Board would convene in executive session pursuant to Section 551.071, Texas Government Code, as amended, to consult with the attorney. All of the members of the Board (except Director Marks), Messrs. Conner, Shackelford 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 8:28 p.m., at which time the Board took the following action.

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 acknowledge the prior advertisement for bids and the award of the construction contract to Reddico Construction Company, Inc. ("Reddico") for the water and sanitary sewer lines to serve the Wal-Mart tract and that such prior actions by NewQuest are contrary to the TCEQ rules and, further, the Board instructs NewQuest to cease and desist from any further construction activity on the water and sanitary sewer facilities that are to be reimbursed by the District until the construction plans and specifications for the utilities have been approved by Jones & Carter and approval to go forward with the construction of the utilities to serve the development is obtained from the Board at the July 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 designate Jones & Carter as the construction manager and inspector for all utility construction projects for which Jones & Carter is not the project engineer, and that Jones & Carter immediately begin such duties on the Wal-Mart, Gosling Pines and Spring Terrace projects.

Mr. Hudson then inquired if Jones & Carter would be the on-site inspector for the construction projects. The Board stated that Jones & Carter would be the on-site inspector on all projects for which Jones & Carter is not the project engineer. Ms. Bobbitt added that the developers can still have their own inspectors, but they will only receive reimbursement for one (1) inspector, pursuant to the rules of the TCEQ.

Mr. Walkoviak asked if Jones & Carter will certify the construction and also assume responsibility for the bidding process. Mr. Walkoviak also inquired if Jones & Carter will perform the inspection on the Spring Terrace clearing and grubbing contract that is on tonight's agenda. Director Dill responded that Jones & Carter will certify construction and will serve as the construction manager on the Spring Terrace clearing and grubbing contract. The developers noted that they would like copies of all inspection reports prepared by Jones & Carter.

Mr. West inquired if Jones & Carter will also be the construction manager and inspector on his commercial development. Mr. Shackelford confirmed that, as soon as the plans for the development are approved by the City and the County, the developer should hand them over to Jones & Carter for approval.

As a point of clarification, Mr. Shackelford asked the Board if NewQuest could work on the storm sewer and detention phases of the Reddico contract. The Board stated that NewQuest can proceed with work on private facilities that are not reimbursable by the District. Mr. Ridgway stated that he was under the impression that some of the storm sewer and detention work was reimbursable. Mr. Conner stated that if there is a question about an item being reimbursable, no work should be performed before approval to resume construction is given by Jones & Carter and the Board. Mr. Ridgway expressed concern about waiting until the Board's

July meeting to resume construction. Mr. Conner responded that there is a lot of work to be done regarding the review of the NewQuest bid process and the review of the plans and specifications between now and the next meeting, and that he and Jones & Carter would likely need at least 30 days to catch up on what has been done on the Wal-Mart site.

Mr. Hudson then asked how the charges for the construction management services will be handled. Ms. Jarmon responded that it would be best to bill the work through the District for reimbursement purposes. Mr. Hudson inquired about the turnaround time on approval of plans and specifications by Jones & Carter. Mr. Shackelford acknowledged that Jones & Carter had been slow in the plan review process and needed to improve on their turnaround time. Mr. Shackelford inquired what the City's turnaround time was for plan review. Mr. Hudson responded it was six (6) to eight (8) weeks.

REVIEW BID TABULATIONS AND AWARD CONTRACT FOR CLEARING AND GRUBBING TO SERVE SPRING TERRACE

Mr. Shackelford reported that eight (8) bids were received for the clearing and grubbing work on the Spring Terrace development, and that the low bidder on the project was Terra Services, Inc. ("Terra Services"), with a bid in the amount of \$109,678.50. A copy of the bid tabulation is attached hereto. 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 award of the contract for clearing and grubbing to Terra Services in connection with the Spring Terrace development.

Mr. Ozuna asked if the developer needs to obtain approval from the District for the design of the Spring Terrace utilities. Ms. Bobbitt responded that the developer did not need Board approval for design work.

Messrs. Walkoviak and Ozuna then exited the meeting at 8:59 p.m.

REVIEW BID TABULATIONS AND AWARD CONTRACT FOR WALGREENS 12-INCH WATERLINE

Mr. Peterson then reported that three (3) bids were received for the extension of the 12-inch waterline from the northwest corner of Kuykendahl Road and Spring-Cypress Road to the northeast side of the intersection and along the southern boundary of the Walgreens tract to the eastern edge of such tract and recommended awarding the contract to AquaPure, the low bidder, in the amount of \$24,900. Mr. Peterson noted that the bid includes the bore and sleeve and that \$5,950 of the construction cost is recommended for reimbursement to the developer for the over-sizing of the line. 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 award the contract to AquaPure and to designate Jones & Carter as the construction manager for such project.

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 authorize reimbursement to NewQuest for the over-sizing of the waterline once the plans are approved and the line has been inspected by Jones & Carter.

AMENDED AGREEMENT FOR FINANCING OF FACILITIES

Ms. Bobbitt reported that the Agreement for Financing of Facilities regarding the development of the Walgreens tract with A-S 55 Spring Cypress-Kuykendahl, L.P. would require an amendment to include the District's reimbursement to NewQuest for the over-sizing of the 12-inch waterline. 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 authorize Ms. Bobbitt to prepare such amendment, once all of the necessary information is received.

DIRECTOR'S INSPECTION REPORT

Director Joyce next reported on his inspection of the District's facilities and explained that the wire mesh on the access ladder on the ground storage tank at Water Plant No. 1 had been gouged when the tree was taken down and recommended that it be repaired. Director Joyce also reported that the ground storage tank access ladders at Water Plant No. 3 and Water Plant No. 2 did not have mesh around the ladders and recommended that wire mesh be installed on such ladders. Mr. Almaguer stated that Aqua Services can repair the wire mesh at Water Plant No. 1. Director Joyce added that the plant sites need mowing again. Mr. Almaguer stated that the plant sites were scheduled to be mowed tomorrow.

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 Director's Report.

OPERATOR'S REPORT

Ms. Sears then reviewed the Operator's Report for the month of May, a copy of which is attached hereto. Ms. Sears reported that the water accountability ratio for the month was 90.5%, with a four (4) month average of 90.3%, and that there were eight (8) sludge hauls during the month. Ms. Sears added that there are currently 2,427 connections in the District, including 100 builder accounts and 22 vacancies. Ms. Sears noted that there had been no excursions at the STP during the prior month, and there are three (3) months remaining on the District's Harris-Galveston Coastal Subsidence District water withdrawal permit.

Ms. Sears then presented an updated spreadsheet showing the tap and inspection fees, a copy of which is attached hereto.

The Board then reviewed the revised draft of the District's 2002 Consumer Confidence Report (the "CCR"), a copy of which is attached hereto. Ms. Sears noted that the President's Message had been revised, as discussed at the April meeting.

Mr. Almaguer then reported that the motor repair on Water Well No. 2-1 at Water Plant No. 2 would cost \$5,158 or \$8,230 to replace the motor, based on the estimate received from Alsay, Inc. ("Alsay"), a copy of which is attached hereto. Mr. Conner noted that both options have the same warranty period. 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 authorize repair of the well motor by Alsay.

Mr. Almaguer next presented a cost estimate from All-Pump & Equipment Co. ("All-Pump") for repairs to the jockey pump at the STP. Mr. Almaguer noted that the repair estimate is \$2,257.40, or \$1,861.55 with using reconditioned mechanical seals to make the repair. A copy of the repair estimate is attached hereto. 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 authorize repair of the jockey pump using the reconditioned seals, contingent upon such work having a one (1) year warranty and, if there is no warranty, to proceed with the repairs based on the higher cost estimate.

Mr. Almaguer next reviewed the cost estimate from All-Pump for repair of the booster pump at Water Plant No. 1 in the amount of \$1,466.68, a copy of which is attached hereto. 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 authorize Mr. Almaguer to proceed with the booster pump repairs.

Mr. Ridgway then exited the meeting at 9:15 p.m.

Mr. Hudson then acknowledged that he needs to provide the bacteriological test results for Bridgestone Lakes, Section 1 to Aqua Services, and stated that he would forward test results tomorrow. Mr. Almaguer stated that he also needs to receive a confirmation from the TCEQ regarding their inspection of Bridgestone Lakes, Section 1 and the TCEQ's receipt of the bacteriological test results.

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 Operator's Report, the service terminations to the delinquent accounts and the 2002 CCR for filing with the TCEQ and distribution to the District's 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 Angelic Almanza's delinquent taxes had been paid and, therefore, she would release the \$119.11 utility deposit refund check she has been holding upon verification from Mr. East, the District's delinquent tax attorney.

Mr. West then exited the meeting at 9:22 p.m.

Ms. Jarmon then reported the receipt of \$600 from Luce Bayou Public Utility District for the purchase of the District's old autodialer.

Ms. Jarmon next noted that Directors Dill, Joyce and Warren and Mr. Conner were registered for the Association of Water Board Directors – Texas Summer Conference in Corpus Christi, Texas.

Concerning the cost sharing payments for the Kuykendahl Road/FM 2920 trunk utility lines and Lift Station No. 5, Ms. Jarmon noted that the D R Horton lots (formerly

H.H. Estates - 50-acre tract) had reverted back to H.H. Estates and, therefore, they will be responsible for payment of the pro rata amount of construction costs allocated to the tract.

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.

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 additional back-up information from the various developers in order to finalize the bond application.

Mr. Shackelford then reported that since the Board's last meeting, he is continuing to develop, analyze and refine a Master Plan for the District and to 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 areas around the District. Mr. Shackelford added that he had recently received a letter from Jerry Ashmore requesting service to a 229-acre tract located outside of the District on FM 2920 at Steubner-Airline Road and that he would include the tract in his Master Plan analysis.

Concerning the elevated fluoride levels from Water Well No. 2-2 at Water Plant No. 2, Mr. Peterson reported that the contractor had submitted a proposal of \$2,000 to reprogram the Programmable Logic Controller and install additional equipment to allow the District to vary the pumping amounts from each well for the appropriate blending of water to decrease the level of fluoride. Mr. Peterson noted that Mr. Conner had authorized Jones & Carter to have the contractor proceed with such work on June 4, 2003. Mr. Peterson also reported that he is working to obtain a variance from the TCEQ regarding the fluoride level.

Mr. Peterson next reported that at the May meeting, the Board had reviewed the results of a well performance test on Water Well No. 2-1 that indicated that the efficiency of the well had declined. Mr. Peterson stated that Jones & Carter has been looking into the matter and recommended that Jones & Carter be authorized to prepare the plans and specifications for reworking the well. Mr. Peterson stated that the actual work would not be performed until Water Well No. 2-2 is back on-line. Director Warren requested that action on such matter be deferred until Mr. Conner had reviewed the matter and was ready to make a recommendation to the Board.

Concerning the Kuykendahl Road/FM 2920 trunk utility and Lift Station No. 5 projects, Mr. Peterson recommended payment of Pay Estimate No. 5 in the amount of \$217,043.73 to Triple B Construction ("Triple B") in connection with the Kuykendahl/FM 2920 trunk utility project and Pay Estimate No. 7 in the amount of \$2,880 to Conn's Inc. ("Conn's") in connection with the construction of Lift Station No. 5. 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 payment of Pay Estimate No. 5 to Triple B and Pay Estimate No. 7 to Conn's.

Mr. Peterson then reported that it has been determined that the first stage storm sewer inlets had inadvertently been omitted in the utility construction contract with TBA Construction, LLC ("TBA") for Bridgestone Lakes, Section 1 and recommended approval of Change Order No. 1, in the amount of \$9,100 to add such inlets to the construction contract, a copy of which is attached hereto. 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 Change Order No. 1 to the TBA contract.

Mr. Peterson next reported that NewQuest had also submitted Pay Estimate No. 1 in the amount of \$85,865.40 for the clearing and grubbing of the Wal-Mart tract and stated that such pay estimate would be held for approval until the construction plans for the project are approved by Jones & Carter.

Mr. Peterson then briefly reviewed the list of construction plan reviews that have been approved by Jones & Carter or that are in the process of review, a copy of which is attached to the Engineer's Report.

Director Steffes inquired if Jones & Carter will be able to provide a timely turnaround of construction plans in connection with serving as construction manager for the various development projects. Mr. Shackelford confirmed that Jones & Carter will be able to handle the work and explained that a great deal of time has been spent over the last several months working on the District's proposed policies/procedures with Mr. Conner and Ms. Bobbitt. Mr. Shackelford also noted that in the future, Jones & Carter will stamp construction plans as "Approved" and distribute copies to the contractor, the General Manager, Jones & Carter, the inspector and Aqua Services.

Mr. Peterson then stated he had received Change Order No. 1 to the Rhodes Landing utility contract in the amount of \$16,388. Mr. Peterson stated that he still needs to verify the work and recommended such item be deferred until the July 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 Engineer's Report.

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 thinks he may be able to get a high speed DSL connection for the office computer and that he is still working on the matter.

Mr. Conner next reported that the Bridgestone Homeowners Association's (the "HOA") new meeting facility will not be completed until mid-July and, therefore, the Board's July meeting will be held at the Bridgestone Baptist Church. Mr. Conner stated that the Board should plan to meet on Tuesday, August 19, 2003, at the new meeting facility.

Mr. Conner went on to report that he met with Mr. Robert Bueker and his attorney, Mr. Richard Schissler, to discuss the grease trap installation requirements for the Marcin Drive retail center. Mr. Conner stated that Mr. Bueker requested a variance from the District to install one (1) central grease trap to serve the entire retail center, rather than individual grease traps for each tenant in the center. Mr. Conner recommended that the Board approve the variance request. 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 variance request submitted by Mr. Bueker in connection with the Marcin Drive retail center. Mr. Conner also reported that the TCEQ had inspected the Marcin Drive retail center, at the District's request, to determine compliance with existing stormwater prevention criteria, and that certain actions are required to be performed by the developer to obtain compliance.

Mr. Conner next reported that Kimmons and Associates has submitted a proposal for a vulnerability assessment of the District's facilities in the amount of \$2,500 for the first facility and \$1,500 for each additional facility. Mr. Conner added that he will solicit additional proposals for the vulnerability assessments.

Mr. Conner then reported that he, Jones & Carter and Ms. Bobbitt were continuing to work to develop policies, rules and regulations for the District regarding stormwater detention ponds and commercial connections in the District. Mr. Conner added that he hopes to have the policies and procedures ready for the Board's review in July.

Mr. Conner next reported that Scott Drilling had been invoiced for the stolen water, along with a \$1,000 penalty, and that he would also file a criminal complaint on the matter.

Mr. Conner noted that he has scheduled a meeting with the Constable's office to discuss the Constable Security Contract.

Mr. Conner then requested that the Board declare a moratorium on all new annexation and development activities until the District's policies and procedures for development are in place and, in addition, recommended that Jones & Carter cease work on the Master Plan and the Five (5) Year Plan. Mr. Conner stated that he was not suggesting that existing projects be prohibited from going forward, but that no new requests be considered. Mr. Conner stated that there were too many fragmented discussions with developers, consultants and Board members, and that the District needs to stop and assess how it will proceed with any additional new development. Mr. Conner stated that a 180-day moratorium period would be best, but that a shorter time period may be appropriate. Director Warren stated that Mr. Conner was making a good recommendation. Director Steffes expressed concern about impeding the development activity along the Kuykendahl/Spring-Cypress corridor. Mr. Shackelford stated that he understood the District was developing the Master Plan to help provide a big picture for the District to use in determining whether to go forward with additional new development. Upon motion by Director Warren, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted three (3) votes in favor and one (1) abstention, with Director Dill abstaining, to declare a moratorium of 120 days on all new annexation and development activities in the District.

It was noted that Jim Ward's request for a feasibility study had previously been approved by the Board, but has not yet been completed. Upon motion by Director Warren, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted three (3) votes in favor and one (1) abstention, with Director Dill abstaining, to return the \$3,000 deposit to Mr. Ward and to notify him of the Board's action regarding the moratorium.

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

ATTORNEY'S REPORT

Ms. Bobbitt reported that the contact information on the District's Web site had been updated and a homebuilder links page had been added with Internet links to the various homebuilders in the District.

Ms. Bobbitt then presented a letter from the North Harris County Regional Water Authority (the "Authority") regarding the Authority's pending validation lawsuit, a copy of which is attached hereto.

MISCELLANEOUS MATTERS

Director Warren then stated he would now address the Board as a member of the HOA. Director Warren explained that the HOA is being stretched financially with the construction of the new meeting facility and other expenses and requested that the Board waive the requirement for the installation of a grease trap in the new building. Director Warren stated that due to the recent changes in the District's policy concerning waterline connections, the HOA has incurred an additional \$10,000 unexpected expense and that the HOA cannot handle any more additional expense items. Director Dill pointed out that Directors Warren and Steffes had conflicts of interest in connection with this matter and, therefore, the Board did not have a quorum to take action on the matter. Ms. Bobbitt stated that the item will be placed on the Board's July meeting agenda.

There being no further business to come before the Board, the meeting was adjourned at 10:30 p.m.

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

/s/Bob Joyce

Secretary, Board of Directors

(DISTRICT SEAL)