

NO. 2003-17

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
September 16, 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 Community Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, September 16, 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. Floyd Mechler of AquaSurance, L.L.C. ("AquaSurance"), insurance broker; Ms. Pat Hall of Equi-Tax, Inc., tax assessor/collector for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Mr. 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 & Development Company, developer of the Bridgestone Lakes and Gosling Pines subdivisions within the District and developer of the proposed Bridgestone Estates tract to be annexed into 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 of Development Consultants Inc., development manager of the Spring Terrace subdivision within the District; Mr. Jim Ridgway, P.E. of NewQuest Properties ("NewQuest"), developers of the Walgreens (located at Kuykendahl and Spring-Cypress) and Wal-Mart commercial developments within the District; Mr. Perry Senn of H.H. Estates, LP ("H.H. Estates"), developer of the proposed Villages of Bridgestone subdivision within the District and developer of the proposed 205-acre Schoessow tract to be annexed into 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.

CONSENT AGENDA

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

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: 1) approve the minutes of the regular meeting of August 11, 2003; 2) authorize the advertising for bids for the water, sanitary sewer and drainage facilities for Stone Forest, Section 4; 3) approve Pay Estimate Nos. 1, 2, 3, 4, and 5 for the Springbrook, Section 2 utilities; 4) approve Change Order No. 1 and Pay Estimate No. 5 for the NewQuest off-site utilities; 5) approve Change Order No. 1 and Pay Estimate No. 1 and Final for the 12-inch Walgreens off-site water line extension; 6) approve Pay Estimate No. 1 for the clearing and grubbing of the Spring Terrace subdivision; 7) authorize preparation of the preliminary and final design of the off-site water and sanitary sewer line extensions to serve the 15-acre Stimac tract and the 50-acre Bella Sera development and authorize advertising for bids for such line extensions; 8) approve the Developers' Reports; and 9) ratify the actions taken at the August 11, 2003 Board meeting, including authorization for the preparation of an updated feasibility study for H.H. Estates for the 205-acre Schoessow tract.

REGULAR AGENDA

ENGINEER'S REPORT

Director Steffes stated that Mr. Peterson would first present his Engineer's Report since he was not feeling well and wanted to leave the meeting early, if possible.

Mr. Peterson then reviewed the Consent Agenda items related to the Engineer's Report and explained that KB Home had requested authorization to advertise for bids for the construction of water, sanitary sewer and drainage facilities to serve Springbrook, Section 3 and that the item was not included on the Consent Agenda, but was included in the Engineer's Report.

Mr. Peterson next briefly reviewed the list of Construction Plan Reviews currently in progress, a copy of which is attached to the Engineer's Report.

Concerning the District's seventh bond application report, Mr. Peterson reported that Jones & Carter had received the contract documents for the Rhodes Landing development and stated that the bond application should be ready to be submitted to the Texas Commission on Environmental Quality (the "TCEQ") for expedited review within the next two (2) weeks.

Mr. Peterson then reported that the TCEQ had not yet performed any additional water testing on Water Well No. 4 at Water Plant No. 2 and that the water from such well continues to be blended with water from Water Well No. 2.

Concerning the access easement to the Rhodes Landing detention pond control pad, Mr. Peterson reported that Jones & Carter is waiting for the metes and bounds description for such easement from Sowell's engineer. Mr. Harrison stated that he is working with Mr. Shackelford on the matter, but needs a schematic of the easement lay-out from Jones & Carter in order for the metes and bounds description to be prepared.

Mr. Peterson then reported that Jones & Carter has been working on the feasibility reports for the H.H. Estates 205-acre tract, the Bella Sera 50-acre tract and the A-K Texas Venture Capital 10-acre tract. Mr. Peterson noted that the feasibility reports were nearly complete and that all three (3) developments would work well in the District. Mr. Peterson suggested that the Board approve the feasibility reports contingent upon the Board's review of the final feasibility reports and providing any comments to Mr. Conner. 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 three (3) feasibility reports contingent upon the Board's final review of such reports. Mr. Conner stated he will contact the Board members regarding their comments on the feasibility reports.

Mr. Peterson then explained that due to the potential for development plans to be changed after the District has approved them and prior to the developer receiving approval from any governmental agencies, Jones & Carter is recommending that the District not authorize any project to be advertised for bids without having received all governmental agency approvals and signatures on the plans and specifications. Director Steffes noted that Jones & Carter will need to be able to perform the plan reviews without holding up the developer. Mr. Peterson stated that it is Jones & Carter's goal to complete the plan reviews within two (2) weeks of receipt of the plans. Ms. Bobbitt noted that this procedure would be added to the District's Policies and Procedures for Development.

Mr. Peterson then presented for execution letters to Harris County regarding the District's agreement to maintain the detention ponds in the Gosling Pines and Spring Terrace subdivisions. Mr. Peterson stated that the letters had been prepared in accordance with the discussions at the Board's September 4th special meeting.

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 Engineer's Report.

PUBLIC COMMENT

Director Steffes then recognized Mr. David Maxwell, President of the Bridgeview Homeowners Association (the "Bridgeview HOA"). Mr. Maxwell requested the details concerning the Board's decision to enter into a Law Enforcement Services Agreement with Harris County (the "County") for the provision of security services throughout the District.

Mr. Ridgway then entered the meeting at 6:30 p.m.

Director Steffes explained that after several months of discussion, the Board decided at the special meeting held on September 4, 2003, that it would benefit all residents of the District for the District to enter into a Law Enforcement Services Agreement with the County to provide security services in all of the subdivisions within the District. Mr. Maxwell stated that the Bridgeview HOA would meet on Thursday, September 18, 2003, at 6:30 p.m., and asked if Director Steffes would attend such meeting to answer questions about the Board's decision on this matter. Director Steffes stated that he would attend the meeting.

Mr. Mechler then entered the meeting at 6:30 p.m.

Director Steffes then explained that the District will assume responsibility for the security services as of January 1, 2004 and stated that the cost for the security services would be paid from the District's maintenance tax revenue. Mr. Maxwell expressed concern about sharing patrolmen among the various subdivisions in the District and the variance in the number of calls received from each subdivision. Mr. Maxwell noted that Sergeant Blankenship will also attend the Bridgeview HOA meeting to address these types of concerns. Mr. Maxwell then asked how communications between the Constables and the various subdivisions will be handled. Director Steffes stated that security reports will be available on the District's Web site, and that the District's General Manager will serve as the coordinator and liaison with the subdivisions regarding security issues. Director Dill then questioned Mr. Maxwell whether he thought that the Bridgestone West subdivision would receive less security coverage under the proposed arrangement. Mr. Maxwell responded that he believed this would be true if the District assumes responsibility for the Constable security services. Director Dill stated that by coordinating the security efforts throughout the District, there will be better security coverage and the commercial entities within the District will be patrolled and will help fund the cost of the security services. Director Warren added that the District would initially contract for five (5) patrolmen. Mr. Maxwell noted that he was relaying certain concerns that had been conveyed to him concerning the security services.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (THE "NHCRWA")
GROUNDWATER TRANSFER PROJECT

Mr. Peterson then reported that the NHCRWA is ready to implement the proposed Groundwater Transfer Project (the "GTP") and stated that information, including the proposed Regulations for Buy/Sell Agreements for Implementation of the GTP (the "Rules and Regulations"), has been distributed to the utility districts within the NHCRWA that previously provided notice of their intent to participate as a buyer or seller of water in the GTP. A copy of such information is attached hereto. Mr. Peterson noted that the District is now being asked to commit to the NHCRWA concerning its intent to buy water from or sell water to the NHCRWA. Mr. Peterson explained that the District will initially be a seller of water to the NHCRWA through 2006 and then become a buyer of water.

The Board then discussed the proposed interconnect with Bilma Public Utility District ("Bilma"). Director Dill inquired whether the District can be reimbursed by the NHCRWA for the cost of such interconnect facilities. Director Steffes noted that the District now has a water line on the south side of Spring-Cypress Road and, therefore, Bilma should bear the entire cost of the interconnect line. Ms. Bobbitt reminded the Board that the District already has an

Emergency Water Supply Agreement in place with Bilma and stated that the District would have to apply to the TCEQ for a change in use of the funds that have been held in escrow for such project from the District's Series 2000 bond issue. Ms. Bobbitt noted that her office would mail copies of the NHCRWA information to Mr. Conner and the Board members.

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 Ms. Bobbitt and Jones & Carter to review the draft of the Rules and Regulations and to prepare a written response to the NHCRWA, including the necessary information regarding the proposed interconnect with Bilma and to request information from the NHCRWA regarding the depreciated asset credit the District could obtain for such facilities.

Director Dill and Mr. Maxwell then exited the meeting and Director Marks entered the meeting at 6:55 p.m.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of August, a copy of which is attached hereto. Ms. Hall reported that 98.2% of the District's 2002 taxes had been collected to date.

Ms. Hall then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Hall noted that in Section I of the Delinquent Tax Attorney's Report, the property owner of 5506 Rivertree Lane has requested that the Board allow him to pay his delinquent taxes in two (2) installment payments of \$200. 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 such request for an installment payment agreement.

Ms. Hall then explained that the Delinquent Tax Attorney was requesting that the 15 accounts in Section II of the Report be tagged for termination of service. Ms. Hall added that she had received an update from Mr. Greg East, the District's delinquent tax attorney, concerning the property owner at 21423 Slippery Creek Lane requesting an installment payment agreement for payment of \$200 now, then \$150 per month until December, when he will pay the balance on the account. A copy of the update from Mr. East is attached hereto. Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the installment payment agreement with the property owner of 21423 Slippery Creek Lane.

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 Aqua Services to terminate service to the remaining 14 accounts in Section II of the Report.

The Board next reviewed Section III of the Delinquent Tax Attorney's Report. Ms. Hall noted that three (3) of the four (4) accounts had made payments on their installment payment agreements, except for the property owner at 4302 Piney Creek Lane. 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 Aqua Services to terminate service to 4302 Piney Creek Lane.

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

Ms. Hall then exited the meeting at 7:05 p.m.

OPERATOR'S REPORT

Ms. Sears then reviewed the Operator's Report for the month of August with the Board, including the delinquent account list, copies of which are attached hereto. Ms. Sears reported that the water accountability ratio for the month was 88.4%, with a four (4) month average of 92.1%, and that there were eight (8) sludge hauls during the month. Ms. Sears added that there are currently 2,540 connections in the District, including 172 builder accounts and 24 vacancies. Ms. Sears noted that there had been no excursions at the Sewage Treatment Plant during the prior month. Ms. Sears next reported that on October 25, 2003, at the Barbara Bush Library on Cypresswood Road, there would be a Household Hazardous Waste Collection event sponsored by the County. Ms. Sears asked if the Board would like a notice about the event sent out with the District's September water/sewer service bills. Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Aqua Services to include a notice regarding the Household Hazardous Waste Collection event scheduled for October 25, 2003 in the District's September billing statements.

Director Warren asked when the fire hydrants would be painted. Ms. Sears stated that once all of the fire hydrant repairs are completed, the fire hydrants will be painted.

Mr. Almaguer next reported that the check valve on booster pump no. 2 at Water Plant No. 2 had been repaired pursuant to Mr. Conner's authorization.

Mr. Almaguer went on to report that a well performance test was performed on Water Well No. 2 on August 7, 2003, a copy of which is on file in the District's records. Mr. Almaguer reported that the test revealed that the pump is operating in satisfactory condition.

Director Warren then reported that there is a water meter in a sidewalk that needs to be relocated. Director Warren stated he will provide the location of the meter to Aqua Services. Director Steffes noted that one of Aqua Services' invoices referenced Water Plant No. 5. Mr. Almaguer stated that it should reflect Lift Station No. 5.

Director Steffes then exited the meeting at 7:08 p.m.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and to authorize the termination of service to the delinquent accounts.

Mr. Peterson then exited the meeting at 7:14 p.m.

REVIEW OF INSURANCE PROPOSALS

Ms. Bobbitt then explained that the Board had received insurance proposals from Anco-Wessendorff Insurance ("Anco") and from AquaSurance, copies of which are attached hereto. Ms. Bobbitt noted that the Anco proposal was handed out to the Board members several months ago at a Board meeting, and that the AquaSurance proposal was not provided to her office until yesterday and has been handed out to the Board at tonight's meeting. Mr. Mechler then reviewed the AquaSurance proposal with the Board. Mr. Mechler stated that his proposal did not include general liability coverage, pollution coverage or umbrella coverage due to the fact that AquaSurance has not yet found acceptable policies for such coverages. Mr. Mechler asked the Board to approve his proposal for the directors/officers liability, boiler and machinery and property coverages and place the general liability, pollution and umbrella coverages for the District with Anco until such time that AquaSurance can provide such coverages.

Mr. Mechler then thanked the Board for its consideration and exited the meeting at 7:22 p.m.

BOOKKEEPER'S REPORT

Ms. Jarmon next reviewed the Bookkeeper's Report with the Board, including the revenues and expenses of the District, the budget comparison, investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon noted that the District has a debt service payment due on November 1, 2003. Ms. Jarmon also reported that the District had received \$19,800 in tap fees during the prior month.

Director Marks inquired about the status of the pro rata share of costs for the Kuykendahl Road trunklines and Lift Station No. 5 owed by Mr. Senn in connection with providing service to his 50-acre tract. Ms. Jarmon reported that Mr. Senn has advised her that he is processing a check for his pro rata share of such costs.

Ms. Jarmon next noted that the list of checks being presented for payment includes check no. 6752 to Tackle Construction, Inc. in the amount of \$22,700 for the installation of the 12-inch bore and casing across Spring-Cypress Road at Kuykendahl Road with 12-inch valve and blow off and check no. 6759 to NewQuest in the amount of \$26,380 representing the District's reimbursement to NewQuest for the 12-inch water line extension along Spring-Cypress Road and Kuykendahl Road to serve the Walgreens development at such location.

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.

Ms. Jarmon then noted that she will begin sending out monthly invoices regarding amounts to be paid by the developers for construction management services in October. Ms. Bobbitt recommended that the Board begin requiring deposits in advance from the developers for construction management services provided by Jones & Carter on new development projects not already underway. Ms. Bobbitt stated that construction management invoices will be sent to the developers that have projects already in progress and that such developers will be given the opportunity to submit a deposit if they would prefer that to receiving

monthly invoices from the District. Ms. Bobbitt added that the requirement for a deposit for construction management services will be added to the District's Policies and Procedures for Development.

GENERAL MANAGER'S REPORT

The Board then reviewed a copy of the General Manager's Report, previously sent to the Board by Mr. Conner, a copy of which is attached hereto. Mr. Almaguer reported that Water Well No. 4 is off-line pending repairs to the surge protection device and noted that Water Well No. 3 would be used as the lead well until Water Well No. 4 is back on-line. Mr. Almaguer noted that the surge protection device is still under warranty.

ATTORNEY'S REPORT

Ms. Bobbitt first reported that she had forwarded letters to both the Bridgestone Homeowners Association (the "Bridgestone HOA") and the Bridgeview HOA and to Constable Ron Hickman of Precinct 4 regarding the Board's decision at the September 4, 2003 meeting for the District to enter into a Law Enforcement Services Agreement with the County. Ms. Bobbitt stated that an agreement between the District and the County will be forwarded by Precinct 4 for the Board's review and approval near the end of the year. Ms. Bobbitt also reported that she had worked with Jones & Carter to prepare a form of letter to the County regarding the District's maintenance of the Springbrook and Gosling Pines detention pond facilities as required by the County.

Director Warren asked if the interconnect line with Northwest Harris County Municipal Utility District No. 30 would need to be relocated in connection with the 38-acre Bridgestone Estates development. Mr. Hudson responded that the interconnect line runs adjacent to a pipeline easement and, therefore, it has been determined that the interconnect line will not need to be relocated.

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 Attorney's Report.

ADDITIONAL DISCUSSION REGARDING INSURANCE PROPOSALS

The Board then discussed the feasibility of splitting insurance coverages between AquaSurance and Anco. Ms. Bobbitt stated she did not recommend splitting the coverages between different carriers. Ms. Bobbitt then reviewed various aspects of the two (2) insurance proposals.

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 accept the proposal of AquaSurance for the District's directors/officers liability, boiler and machinery and property coverages, if Anco was willing to provide the general liability, pollution and umbrella coverages to the District. Ms. Dold stated she would contact both AquaSurance and Anco first thing in the morning regarding the split coverages.

MISCELLANEOUS MATTERS

Director Warren then reported that he had reserved the third Tuesday of each month for the Board meetings and, in addition, had reserved the fourth Thursday of each month for special Board meetings at the new Bridgestone HOA meeting facility. The Board requested that Ms. Bobbitt's office forward a letter to Bridgestone Baptist Church (the "Church") to cancel the District's reserved meeting dates for the remainder of the year and to thank the Church for the use of the sanctuary over the years.

It was then noted that the next meeting of the Board will be held on Tuesday, October 21, 2003 at the Bridgestone HOA meeting facility.

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

PASSED, APPROVED AND ADOPTED this 21st day of October, 2003.

/s/Bob Joyce

Secretary, Board of Directors

(DISTRICT SEAL)

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