

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 Schkade, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) authorize design of (a) Northcrest Village extension of public water line to serve the commercial tract on FM 2920; (b) Villages of Senterra Lakes, Section 1 off-site water line along Spring-Cypress Road; (c) Villages of Senterra Lakes clearing and grubbing; (d) Villages of Senterra Lakes detention facilities; and (e) Villages of Senterra Lakes, Section 1 water, sewer and drainage facilities; 2) authorize advertising for bids, subject to City of Houston and District engineer's receipt, review and approval of project plans and specifications for the following: (a) Northcrest Village, Section 1 water, sewer and drainage facilities; (b) Northcrest Village, Section 2 water, sewer and drainage facilities; (c) Senterra Lakes, Section 1 water, sewer and drainage facilities; (d) Springbrook, Section 4 water, sewer and drainage facilities; (e) Springbrook, Section 4 clearing and grubbing; (f) Villages of Senterra Lakes clearing and grubbing; (g) Villages of Senterra Lakes detention facilities; and (h) Villages of Senterra Lakes, Section 1 water, sewer and drainage facilities; 3) approve District membership in North Houston Association (the "NHA"); and 4) Developer Reports.

Mr. Harrison then entered the meeting at 6:32 p.m.

Director Warren questioned why the District was joining the NHA and the dues for membership in such organization. Mr. Conner stated that the membership dues are \$1,000 per year and noted that the District would be the first political subdivision to join the NHA. Mr. Shackelford noted that the Board and Mr. Conner would receive a great deal of beneficial information from the NHA, and that the Board and Mr. Conner would be invited to attend quarterly luncheons with featured speakers. Director Steffes then stated that the NHA was similar to a chamber of commerce, and that he believed the District would greatly benefit from membership in the NHA. Mr. Shackelford concurred and added that the NHA is also active in legislative issues due to Senator Lindsay's involvement with the NHA.

REGULAR AGENDA

DISCUSS B-5 CONSTRUCTION CO., INC. CHANGE ORDER

Mr. Conner noted that this item was on the agenda at the request of the owner of B-5 Construction Co., Inc. regarding construction of the Gosling Pines storm water pump station. Mr. Conner reported that he had met with Mr. Hudson and Mr. Mike Baldwin of Provident Engineers, Inc., the design engineer, to resolve the issue related to the change order regarding the change from corrugated metal pipe to reinforced concrete pipe on the project.

Director Marks then entered the meeting at 6:38 p.m.

The Board then discussed the matter in detail. Mr. Conner stated that the contractor had installed what was intended by the design engineers and what was in the best interest of the District and recommended that the change order be approved. The Board questioned why they had not been apprised of the matter earlier. Mr. Shackelford then pointed out that normally this type of issue would not be brought to the Board in this manner and would have simply been reflected on the agenda as approval of a change order. Mr. Shackelford went on to explain that the contractor has requested the agenda item. Mr. Shackelford further stated that the issue was not about what additional amount the District was spending, but what the developer was financing for the project. Director Steffes noted that Mr. Conner had contacted him earlier about the matter, and he had not communicated the information to the rest of the Board members.

FINANCIAL WORKSHOP

The Board then recognized Mr. Short, who distributed copies of a "Bonds 101" outline, the 2002 Long-Term Financing Plan Memorandum, and his revised Developer Reimbursement Calculation Memorandum, copies of which are attached hereto.

Ms. Bobbitt and Mr. Glunt then briefly exited the meeting at 7:07 p.m.

Mr. Short proceeded with the review of the Bonds 101 outline with the Board.

Ms. Bobbitt and Mr. Glunt returned to the meeting at 7:17 p.m.

Mr. Short and Ms. Bobbitt then reviewed the process and procedures for the preparation of a bond application report and reviewed the issuance of the \$5,750,000 Series 2004 Bonds. Mr. Short and Ms. Bobbitt also reviewed the requirements for continuing disclosure on the District's outstanding debt. Mr. Short noted that the District's bonds have an enhanced credit rating of AAA from Standard & Poor's.

It was then noted that the audit of reimbursables to the developers for each bond issue afforded the Board a certain level of comfort regarding the reimbursement to developers and compliance with what the Texas Commission on Environmental Quality has approved for reimbursement.

Mr. Short next reviewed the 2002 Long-Term Financing Plan (the "Financing Plan") and explained that at the time of preparation, it represented a projection of development, growth, valuation increases in the District and the impact of such factors on the District's tax rate. Mr. Short stated that there are three (3) groups of District facilities and projects: 1) those facilities in the ground for which bonds have been previously issued; 2) facilities in the ground for which the District has not yet issued bonds or reimbursed developers; and 3) those projects/tracts that have been lumped together and are projected to have a higher value, some of which can be applied to other tracts, such as the David Klein annexation of 178 acres. Mr. Short stated that the Financing Plan called for the District to sell bonds every 12 to 18 months in order to maintain a stable tax rate and noted that the District had fallen short of that goal. Mr. Conner noted that it would be appropriate to update the Financing Plan to include all of the additional development projects and corresponding property valuations. Mr. Peterson then stated that the consultants needed to update the Financing Plan with current developer information and projects for the Board's review and use. Mr. Short added that all the projects that are currently on the

ground need to be accounted for, and that the Financing Plan needs to be updated on a regular basis. Director Steffes then asked if the Board could conduct a workshop on the Financing Plan in the next month or two. Mr. Short stated that he would work on the updates and projections in preparation for the workshop. A brief discussion then ensued concerning the gathering of information from the various developers that are currently active in the District.

Director Marks asked if the Board needs to consider increasing the District's bond authorization. Mr. Peterson stated that the consultants need to prepare an analysis of the sufficiency of the current bond authorization as part of the updating of the Financing Plan. The Board asked if the analysis could be ready in time for the November 16, 2004 meeting. Mr. Short stated that he would try to have the analysis at the November meeting.

Concerning the Memorandum on Developer Reimbursement Calculations, Mr. Short noted that he would not be in attendance at the October 19, 2004 meeting and invited the Board to call him if they had any questions on developer reimbursement matters.

GENERAL MANAGER'S REPORT

Mr. Conner then reviewed his General Manager's Report with the Board, a copy of which is attached hereto.

Mr. Conner noted that copies of the Harris County Constable's Report had previously been distributed to the Board, a copy of which is attached hereto.

Concerning construction on the 16.4-acre Raines tract, Mr. Conner reported that he met with the engineer for the development last Wednesday, at which time he was shown the preliminary plans for the project. Mr. Conner stated that the developer had started development of the project based on the assumption that the property could discharge its stormwater into the District's existing stormwater system. Mr. Conner noted that there is only 9 cubic feet per second ("CFS") of capacity available in the existing stormwater system and the project requires 28 CFS. Mr. Conner advised the engineer to resolve the drainage discharge issues before proceeding with the construction.

Mr. Conner then reminded the Board that at the September meeting, the Board directed Aqua Services, LP ("Aqua Services") to remove the emergency services and voluntary fire department donation line items from the District's October water/sewer service billing statements. Mr. Conner went on to explain that following the September meeting, Ms. Barbara Payne, a member of the board of Harris County Emergency Services District No. 11 ("HCESD No. 11"), had contacted him and asked the Board to reconsider its decision and retain the line items on the customer bills until the end of the year since the new HCESD No. 11 taxes would not be collected until January and February, 2005. Ms. Bobbitt noted that the HCESD No. 11 taxes are levied and collected in the same manner as the District's taxes. Further discussion of the matter then ensued. The Board then confirmed that the line items should be immediately removed from the District's billing statements. Ms. Bobbitt stated that a notice concerning the removal of the line items from the billing statements would be prepared and sent to Aqua Services for inclusion in the next billing statements.

Concerning the Bonds Gully drainage improvements, Mr. Conner reported that the cleaning of the ditch had been completed (photographs are attached to the General Manager's Report), and the installation of the 60-inch replacement culverts should be completed later this week. Mr. Conner noted that more dirt had been excavated than expected, and he was working with the property owners to allow the dirt to remain where it is until the lower Bonds Gully work is complete, at which time most of the dirt will be hauled off. Mr. Conner added that a portion of the dirt will be stockpiled at the District's Wastewater Treatment Plant (the "STP") for use on various repair projects. Director Steffes asked if the dirt had been tested for contaminants. Mr. Conner stated that it had not, and he could do so if the Board so desired. Mr. Conner reported that the owner of Progressive Pumps had indicated that he would use some of the dirt for fill on his property. The Board concurred that the removal of the excavated dirt should be handled in the same manner as the developers are required to do.

Mr. Conner then reported that Director Schkade observed a truck driver for B&R Water Well Drilling, Inc. ("B&R") illegally stealing water from a fire hydrant on Bridgestone Lane. Mr. Conner stated that the constable's office has issued a case number for the theft of the water, and Aqua Services has been asked to prepare and forward a bill to B&R for the stolen water. Director Thomas stated that he would like to establish a procedure for handling water theft in the District. Ms. Bobbitt noted that the District's Rate Order gives the Board authority to issue fines and penalties. Mr. Conner stated that the matter would be placed on a future agenda.

Mr. Glunt and Mr. West then exited the meeting at 9:20 p.m.

Mr. Conner next reviewed a STP operation problem regarding the clarifier rakes. Mr. Conner reported that the design engineer from Jones & Carter will be coming out to the STP in the next several days to try to determine what repairs will be necessary.

Mr. Conner then reported receipt of a letter and photograph from RPDC, Inc. concerning the encroachment of Ditch "A" and possibly Ditch "B" on Stone Forest, Section 4 property, a copy of which is attached hereto. Mr. Peterson stated that Jones & Carter had recommended several years ago that slope paving be done on Ditch "A" and Ditch "B" to meet the Harris County Flood Control District (the "HCFCD") design criteria. Mr. Shackelford noted that he was seeking authorization from the Board for Jones & Carter to update the old cost estimate for the slope paving that was prepared in 1995 and to contact the HCFCD to determine if slope paving would qualify the ditches for acceptance and maintenance by the HCFCD. Upon motion by Director Marks, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to update the cost estimates for the slope paving of Ditch "A" and Ditch "B," at a cost not to exceed \$1,000, and to contact the HCFCD regarding the possible acceptance of such facilities.

Mr. Conner then reported that he and Messrs. Shackelford and Peterson had recently met with Mr. Glunt and Mr. Baldwin regarding Senterra Lakes and the Villages of Senterra Lakes, including the proposed amenities for such development. Mr. Conner stated that Mr. Glunt would like to extend a network of hike and bike trails from Spring-Cypress Road through the Senterra Lakes and Villages of Senterra Lakes subdivisions and over to Kuykendahl Road. Mr. Conner stated that it may be possible to enter into a joint use agreement with the HCFCD or Harris County (the "County") concerning the jogging trail and a tract of land adjacent to the

developments that is owned by the HCFCD. The Board indicated that they had no problem with Jones & Carter discussing the matter with Commissioner Eversole. Upon motion by Director Thomas, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's Report.

ENGINEER'S REPORT

The Board next recognized Mr. Peterson, who reviewed the Engineer's Report with the Board, a copy of which is attached hereto.

Mr. Peterson reported that Sowell had been authorized to initiate the work to install check valves to the three (3) force mains and to add the manual disconnect to the pump station.

Mr. Harrison then exited the meeting at 9:40 p.m.

Concerning acceptance of Ditch "C," Mr. Peterson reported that the contractor would be re-grading the interceptor swales tomorrow, and that the HCFCD will be notified that the work has been done in order for them to proceed with acceptance of the facility. Mr. Shackelford noted that he is going to meet with the HCFCD and precinct representatives to discuss why it is taking the County so long to accept ditches for maintenance.

Director Thomas asked if the Rhodes Landing detention pond work would be completed in time for the October 19th meeting. Mr. Peterson stated that the work should be complete within the next several weeks.

MISCELLANEOUS MATTERS

It was then noted that the next regular meeting of the Board will be held on Tuesday, October 19, 2004, at 6:00 p.m. at the Bridgestone Community Center.

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

PASSED, APPROVED AND ADOPTED this 16th day of November, 2004.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)