

NO. 2005-8  
MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
April 19, 2005

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, April 19, 2005, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to wit:

Adrian E. Steffes	President/Investment Officer
Jim Marks	Vice President
Ronald W. Schkade	Secretary
Skip Warren	Treasurer
Jerry Thomas	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of 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, P.E. 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. Bob Hudson of Texas Investment & Development Company, developer of the Bridgestone Lakes, Gosling Pines, Senterra Lakes and Villages of Senterra Lakes subdivisions within the District; Mr. David Glunt, project manager for the Senterra Lakes and Villages of Senterra Lakes subdivisions within the District; Ms. Shawn Lazenby Project Manager for Peron Development, Inc., developer of the Bella Sera, Villages of Bridgestone and Northcrest Village subdivisions within the District; Mr. Ron Walkoviak of Development Consultants Inc., development manager of the Spring Terrace subdivision within the District; Mr. Beto Bautista, P.E. of Centex Homes, developer of the Spring Terrace subdivision within the District; Mr. Keith Radcliffe of K. Hovnanian of Houston, L.P., dba Parkside Homes ("Parkside"), developer of a tract of land located within the boundaries of Meadowhill Regional Municipal Utility District ("MRMUD"); Mr. Jamie Cornelius of Sowell & Co., developer of the Rhodes Landing subdivision within the District and the Meadowhill Run subdivision located within MRMUD; Sergeant David Blankenship, Corporal Dean Coleman, Corporal Walter Stensland and Deputy Raymond Hernandez of the Harris County Precinct 4 Constable's office; Mr. Reginald Gite 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. A copy of the sign-in sheet for those in attendance at the meeting is 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 Steffes then recognized Mr. Gite, a resident of 20803 Sedona Ranch Lane within the District. Mr. Gite stated that his property abuts the Texas Mega Storage property and expressed his concerns about the proximity of the Texas Mega Storage detention pond to his fence line and questioned what impact the project would have on his property value. Mr. Shackelford responded that the detention pond should have a maintenance berm around it, which would protect the properties abutting the development. Director Steffes noted that the Board has had numerous concerns regarding the Texas Mega Storage development and the owner's continued failure to comply with the District's Policies and Procedures for Development. Ms. Bobbitt then explained that the Board does not have any zoning powers and since the 16.4-acre tract was already located within the boundaries of the District, the Board has no control over what is constructed on the property. Ms. Bobbitt encouraged Mr. Gite to submit his complaints in writing concerning the development, particularly with regard to the drainage issues, to Harris County (the "County") and Commissioner Eversole's office. The Board then inquired if Mr. Gite had ever observed water being pumped from the property. Mr. Gite stated that he had not seen water being pumped off of the property or out of the detention pond.

### 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. Director Steffes stated that he had corrections to the minutes of the special meeting and executive session of January 12, 2005 and removed such items from the Consent Agenda. Ms. Bobbitt noted that in the future, the word "Draft" would be placed on all copies of the meeting minutes that are distributed to the Board, consultants and developers prior to the Board's approval of such minutes.

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

Upon motion by Director Thomas, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) the minutes of the regular meeting of March 15, 2005; 2) accept and authorize execution of the Petition for Annexation for a 10.56-acre tract owned by 2920 Business Park, LP; 3) authorize the advertising for bids, subject to Jones & Carter's receipt, review and approval of project plans for the Springbrook, Section 7 water, sewer and drainage facilities; 4) review bid tabulations and award construction contract for (a) Senterra Lakes, Section 1 water, sewer and drainage facilities, (b) Springbrook, Section 6 water, sewer and drainage facilities and (c) Villages of Senterra Lakes detention pond; 5) approve the following pay estimates and change orders: (a) Pay Estimate No. 3 in the amount of \$62,456.28 to Clearwater Utilities, Inc. for construction of water, sewer and drainage facilities to serve Bella Sera; (b) Pay Estimate No. 2 and Final in the amount of \$52,705.00 to Lone Star Land Clearing, Inc. for clearing and

grubbing in Northcrest Village, Sections 1, 2 and 3; (c) Pay Estimate No. 1 in the amount of \$78,391.28 to Big State Excavation, Inc. for construction of water, sewer and drainage facilities in Northcrest Village, Section 1; (d) Pay Estimate No. 6 in the amount of \$8,985.60 to Excalibur Construction, Ltd. for clearing and grubbing and detention basin excavation for Senterra Lakes; (e) Pay Estimate No. 7 in the amount of \$19,188.75 to Cravens Partners, Ltd. for construction of water, sewer and drainage facilities to serve Springbrook Plaza; (f) Pay Estimate No. 9 in the amount of \$155,215.78 to Cedar Ridge Excavation, Ltd. for construction of detention pond facilities to serve Spring Terrace; (g) Pay Estimate No. 2 in the amount of \$393,933.00 to Bay Utilities, L.L.C. for construction of water, sewer and drainage facilities to serve Spring Terrace, Section 3; and (h) Pay Estimate No. 1 in the amount of \$62,368.65 and Change Order No. 1 in the amount of \$1,000.00 to H2O Services, Inc. for the eight (8) inch waterline extension to serve Spring Town Center, Phase III; and 6) Developer Reports.

Mr. Bautista then entered the meeting at 6:25 p.m.

### **REGULAR AGENDA**

#### **REVIEW/DISCUSS COST ANALYSIS/COMPARISON FOR IMPROVEMENTS TO DITCHES "A" AND "B"**

Mr. Peterson then reviewed the preliminary cost estimates for the proposed improvements to Ditches "A" and "B," the first of which was handed out at the March meeting in the amount of \$451,000, which specified concrete slopes, and the second of which is being presented at tonight's meeting in the amount of \$762,561, which includes costs for the purchase of six (6) lots in the Stone Forest subdivision and 13 lots in the Villages of Bridgestone subdivision and specified earthen rather than concrete slopes. Copies of such cost estimates are attached hereto.

Director Marks then entered the meeting at 6:26 p.m.

Mr. Conner recommended that the Board proceed with the ditch improvements that include the concrete slopes in the amount of \$451,000. Mr. Shackelford stated that the County has confirmed that they would accept the ditches for maintenance if they are improved to meet the standards of the County. Director Thomas inquired if the improvements will resolve the encroachment issues, previously discussed with the Board. Mr. Conner responded that the proposed improvements would resolve the encroachment issues. 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 authorize Jones & Carter to proceed with the engineering design work for the proposed improvements to Ditches "A" and "B," based on an estimated project cost of \$451,000.

#### **DONATION OF FLAGS TO BRIDGESTONE COMMUNITY CENTER**

Director Warren reported that he had obtained costs for the flags for the Bridgestone Community Center, and that the combined cost for a State of Texas and a United States of America flag is \$182.00. Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted three (3) votes in favor, with Directors Warren and Thomas abstaining, to purchase the two (2) flags for the Bridgestone Community Center.

CONSTRUCTION STATUS OF PROJECTS 7B AND 7C OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (THE "NHCRWA")

Mr. Conner reported that he has spoken with Ms. Barbara Payne of Payne Communications, the communications coordinator for the NHCRWA, regarding the information brochure that she prepared for Bilma Public Utility District regarding the scope of the construction projects and the anticipated impact it would have on the residents, a copy of which is attached hereto. Mr. Conner stated that Ms. Payne would prepare and mail out a similar brochure, at the expense of the NHCRWA, to the District's residents.

Mr. Conner went on to report that a resident had recently complained to him about the offloading of pipe at Water Plant No. 3 by the construction contractor for the NHCRWA on April 18, 2005 and surmised that, had the resident previously received a brochure about the NHCRWA's construction work in the area, he would have been aware of the construction activity near his house.

Director Marks reported that he had observed that the NHCRWA was preparing to install large diameter pipe near the Albertson's tract and expressed concern regarding the construction activity having a negative impact on the Albertson's detention pond. Further discussion then ensued. Mr. Conner stated that the NHCRWA representatives and the construction contractor were aware of the issues concerning the Albertson's detention pond.

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

Mr. Shackelford reminded the Board that the Jones & Carter engineering reports have provided updates on the status of the NHCRWA construction projects. Director Steffes then apologized for an earlier conversation that he had with Mr. Shackelford concerning information about the construction of Projects 7B and 7C.

Concerning the matter of the construction brochure, Mr. Conner asked for the Board's decision about the brochure and noted that Ms. Payne recommends that it be mailed with First Class postage and not bulk rate postage. Mr. Conner further recommended that the brochure be mailed to all District residents, and that door hangers be hung on the doors of residents that will be directly affected by the construction. The Board concurred with Mr. Conner's recommendations and requested that the brochure also be posted to the District's website.

BELLA SERA/SPRING TERRACE JOINT DETENTION FACILITIES COST SHARING AGREEMENT

Ms. Bobbitt reported that she is in the process of drafting the proposed Cost Sharing Agreement and stated that approval of the agreement would be deferred until a special meeting in May or the Board's regular May meeting scheduled for May 17<sup>th</sup>.

PARTICIPATION AGREEMENT FOR UPPER/LOWER BONDS GULLY IMPROVEMENT PROJECT BY AND AMONG THE DISTRICT, BRIDGESTONE LAKES DEVELOPMENT COMPANY, INC., PARKSIDE AND SOWELL INTEREST-MEADOWHILL, L.P. (THE "PARTICIPATION AGREEMENT")

Ms. Bobbitt reported that a draft of the proposed Participation Agreement concerning the Upper/Lower Bonds Gully Improvement Project was distributed to all concerned parties earlier today for review and comment and recommended that the matter be deferred to the special meeting to be held in early May.

The Board then discussed holding a special meeting on Tuesday, May 3, 2005, at The Woodlands office of Jones & Carter at 7:00 p.m. Mr. Conner stated that he would confirm the meeting date with Board members and consultants via email.

Messrs. Walkoviak, Bautista, Cohen and Radcliffe then exited the meeting at 6:50 p.m.

GRAND PARKWAY UPDATE

Director Warren then reported on the meeting concerning the Grand Parkway that was held on Friday, April 15, 2005, by the Texas Department of Transportation. Director Warren briefly reviewed the list of the persons in attendance at such meeting, a copy of which is attached hereto. Director Warren noted that it would be 12 to 18 months before a revised study on the routing of the Grand Parkway would be ready.

Director Steffes and Ms. Lazenby then exited the meeting at 6:53 p.m.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of March, a copy of which is attached hereto. Ms. Hall reported that 93.3% of the District's 2004 taxes have been collected as of today's date. Ms. Hall also reported that delinquent tax statements had been mailed out following the March meeting.

Upon motion by Director Schkade, 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 to authorize payment of the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed with the Board the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall noted that in Section III, two (2) developers were listed as owing delinquent 2003 rollback taxes. A discussion ensued concerning such matter. The Board asked that the matter be further investigated. Ms. Hall added that no action was required on the Report.

## ORDER ADDING LAND AND REDEFINING BOUNDARIES OF THE DISTRICT

Ms. Bobbitt then reported that the City of Houston had consented to the annexation of three (3) tracts of land, including: (1) the 7.245-acre tract to be included in Bridgestone Lakes, Section 4; (2) the 21.88-acre tract to be included in Northcrest Village; and (3) the 100.668-acre tract to be developed as the Villages of Senterra Lakes. Ms. Bobbitt next presented an Order Adding Land and Redefining Boundaries of the District ("Order") for the Board's approval. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put the Board, the Board voted unanimously to adopt the Order, a copy of which is attached hereto.

## PARTIAL ASSIGNMENT FROM A-K-S-L 36 2920, L.P. ("A-S-K-L") TO KB HOME LONE STAR LP ("KB HOME")

Ms. Bobbitt reported that she had received a Partial Assignment from A-K-S-L to KB Home (the "Assignment") for approval by the Board and an acknowledgement of such Assignment for execution, a copy of which is attached hereto. A discussion ensued regarding the delinquent 2003 rollback taxes owed to the District by A-S-K-L and questions arose concerning what was going to be constructed on the 33.429-acre tract. The Board asked Ms. Bobbitt to obtain more information on the plans for development of the 33.439-acre tract and deferred action on the Assignment until the Board's May 3<sup>rd</sup> special meeting date.

## REQUEST FOR SERVICE TO 2.05-ACRE COMMERCIAL TRACT

Mr. Peterson reported that a request had been received from Mr. Beau Procter for service to his 2.05-acre commercial tract located within the boundaries of the District, on Kuykendahl Road and FM 2920, behind the Kroger development. Mr. Peterson noted that water and sanitary sewer capacity for the subject property had been included in the feasibility study previously prepared by Jones & Carter for the Kroger development. Mr. Peterson further reported that a medical office building was proposed for the commercial tract.

## 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 reported that the monthly invoices had been sent to the various developers in the District for construction management services and to those developers with outstanding balances for annexations and/or feasibility studies. Ms. Jarmon noted that \$24,000 in tap fees had been collected during the prior month.

Director Warren asked when the Water Wise recognition programs would be held at Roth Elementary School and Northwoods Catholic School. Ms. Dold stated that she would contact Ms. Susan Brown of the Harris-Galveston Coastal Subsidence District to obtain the dates for the recognition programs and notify Director Warren with such information.

Ms. Jarmon also noted that the Board would want to modify the District's budget at a future meeting to include the costs associated with the improvements to Ditches "A" and "B."

Upon motion by Director Warren, seconded by Director Schkade, 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.

#### ADOPT AMENDED DROUGHT CONTINGENCY PLAN

Ms. Bobbitt then presented a memorandum detailing the required changes to the District's Water Conservation and Drought Contingency Plans and the new water audit requirements, a copy of which is attached hereto. Ms. Bobbitt explained that it is necessary for the District to amend its Water Conservation and Drought Contingency Plans by May 1, 2005, in order to comply with the requirements of House Bill 2660 and House Bill 2663 passed during the 2003 Legislative Session and codified at Sections 11.1271 and 11.1272, Texas Water Code, as amended. Mr. Peterson then explained that he and Ms. Sears are recommending that the District set the targets for reducing daily water demand during drought conditions as follows: 10% during the moderate stage; 16% during the severe stage; and 25% during the critical stage.

Ms. Bobbitt then presented a Resolution Adopting Amended Drought Contingency Plan (the "Resolution") for the Board's approval and execution, a copy of which is attached hereto. Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution.

#### DIRECTOR'S REPORT

Director Marks then reported that he had inspected the District's facilities on April 16, 2005 with Mr. Almaguer. A copy of Director Marks' inspection report is attached hereto. Director Marks noted that the items highlighted in red on his report were items remaining to be done from previous reports. Concerning the Rhodes Landing detention pond, Director Marks stated that there is an alleyway between the detention pond and the houses on the north side with a walk-through to the detention pond that is not gated and appears to be an attractive nuisance for children. Mr. Shackelford noted that the plans for the detention pond did not include a gate and that requiring a gate for the area would be up to the Board, along with the associated cost. Director Marks also asked if the access road to the pump station is able to handle the weight of heavy trucks. Mr. Shackelford stated that the access road was built to accommodate service trucks. Mr. Hudson reported that there was a great deal of debris on and around the Rhodes Landing detention pond. Mr. Shackelford stated that the detention pond was clean when it was inspected and that the debris must be from the builders in the subdivision. Director Marks asked for a status report on the red highlighted items at the May meeting.

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

Ms. Dold reminded the Board that Director Warren was scheduled to do the inspections for the months of May and June.

Sergeant Blankenship, Corporal Coleman and Corporal Stensland then entered the meeting at 7:40 p. m.

## HARRIS COUNTY PRECINCT FOUR CONSTABLE'S REPORT

Mr. Conner then asked Sergeant Blankenship to review with the Board the Harris County Precinct Four Constable's Report, a copy of which is attached hereto. Sergeant Blankenship reported that Corporal Stensland is the new officer assigned to patrol the District.

Deputy Hernandez then entered the meeting at 7:50 p.m.

Sergeant Blankenship, Corporal Coleman, Corporal Stensland and Deputy Hernandez then exited the meeting at 7:58 p.m.

## OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of March with the Board, including the termination list, copies of which are attached hereto. Ms. Sears first reported that the District's water accountability ratio for the month was 94%, with a four (4) month average of 92.8%, and that there were eight (8) sludge hauls during the month. Ms. Sears added that there are currently 3,673 connections in the District, including 2,660 residential accounts, 304 builder accounts and 566 vacancies. Ms. Sears then reviewed the termination list with the Board.

Ms. Sears then reported that a draft of the District's proposed 2004 Consumer Confidence Report was attached to the Operator's Report. Ms. Sears noted that she would email a draft of the President's Message to Director Steffes for his revision and comment.

Director Thomas noted that he sent several questions regarding the Aqua Service invoices to Ms. Sears yesterday. Concerning the question about the Tackle Construction invoice, Ms. Sears stated that she was checking to be sure the repairs to the sewer tap were backcharged to the builder. Director Thomas noted that there was an invoice from BMI-Biosolids Management ("BMI") dated July 20, 2004, and asked why it is being presented for payment so late. Ms. Sears surmised that BMI might have forgotten to invoice the District, and that the sludge hauling service had been requested by Aqua Services on a last minute basis. Ms. Jarmon stated that BMI has been calling about the invoice for several months, but she only received the invoice for payment from Aqua Services on March 29, 2005. The Board noted that they would like to discuss implementation of a policy regarding the timely submittal of invoices to the District at the regular May meeting.

Director Warren then asked where Texian Court is located. Mr. Hudson stated that it such street is located in the Gosling Pines subdivision.

Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, to authorize the termination of service to the delinquent accounts and to authorize purchase of a pressure washer for use at the District's facilities.



## 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 he had handed out copies of the draft of the District's eighth bond application report in the amount of \$8,165,000 for review and comment, a copy of which is attached hereto.

Mr. Peterson also reported that Ditch "C" had passed inspection by the County, and that the April 26<sup>th</sup> Commissioner's Court agenda includes acceptance of Ditch "C" by the County for operation and maintenance.

Mr. Shackelford then reported that a meeting with representatives of the District, KB Home, Jones & Carter and Precinct Four had been held to discuss the responsibilities of the participating parties regarding the extension of T.C. Jester Boulevard and installation of a District waterline. Mr. Shackelford stated that he would forward to the Board, Mr. Conner and Ms. Bobbitt a copy of the timeline for the proposed project.

Upon motion by Director Warren, seconded by Director Schkade, 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 next presented the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Concerning the paving of the access road to the Sewage Treatment Plant, Mr. Conner reported that he has scheduled a meeting with the paving contractor to further review and discuss the matter.

Mr. Conner then reported that the District will receive electrical service from Direct Energy, beginning May 1, 2005, for a three (3) month period in accordance with the service agreement previously approved by the Board. Mr. Conner noted that it is expected the District will realize a savings of between \$2,000 and \$2,500 per month on utility costs.

Director Warren then asked Mr. Conner how often he receives reports from Preventive Services on their construction inspection activities. Mr. Conner responded that he speaks daily with the inspector, but that the inspector's reports are routed through Jones & Carter. Mr. Shackelford stated that the inspector turns in a daily report on his inspection activities to the Jones & Carter Construction Department.

Director Warren next asked why the developers that are active in the District are not submitting reports to Mr. Conner on a monthly basis. Mr. Hudson asked what information the Board would like to see from the developers. The Board responded that they would like to see sales and build-out information on each development.

Upon motion by Director Warren, seconded by Director Thomas, 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 stated that she had nothing further to report.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board would be held on Tuesday, May 17, 2005, at 6:00 p.m. at the Bridgestone Community Center. Ms. Bobbitt and Mr. Conner stated that they would work to schedule a special meeting of the Board on Tuesday, May 3, 2005, and would contact the Board members and consultants to confirm such meeting date.

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

PASSED, APPROVED AND ADOPTED this 17<sup>th</sup> day of May, 2005.

/s/Ronald W. Schkade

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Secretary, Board of Directors

(DISTRICT SEAL)

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