

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 the minutes of the special meetings of March 2, 2005 and April 5, 2005, the minutes of the executive sessions of March 2, 2005 and April 5, 2005 and the minutes of the regular meeting of September 20, 2005 have been removed from the Consent 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) the minutes of the special meetings of September 13, 2005 and September 28, 2005, as written; 2) authorize advertising for bids, subject to the Engineer's receipt, review and approval of project plans and specifications, for the construction of: (a) water, sewer and drainage facilities to serve Springbrook, Section 7; and (b) water, sewer and drainage facilities to serve Spring Terrace, Section 6; 3) review bid tabulations and approve the award of construction contract to Peltier Brothers Construction, LTD in the amount of \$255,200.00 for construction of Lift Station No. 7 to serve the Villages of Senterra Lakes development; 4) approve the following pay estimates: (a) Pay Estimate No. 7 in the amount of \$8,075.00 to Triple B Services, L.L.P. ("Triple B") for construction of the detention pond to serve the Bella Sera development; (b) Pay Estimate No. 3 in the amount of \$36,347.85 to Triple B for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 4; (c) Pay Estimate No. 6 in the amount of \$76,200.61 to Maverick Contractors, Inc. for construction of the Northcrest Village detention pond; (d) Pay Estimate No. 2 and Final in the amount of \$9,549.10 to Lone Star Land Clearing, Inc. for clearing and grubbing of Springbrook, Sections 6 and 7; (e) Pay Estimate No. 8 and Final in the amount of \$34,568.09 to Cravens Partners, Ltd. for the construction of water, sewer and drainage facilities to serve Springbrook Plaza; (f) Change Order No. 3 in the amount of \$2,650.00 and Change Order No. 4 in the amount of \$1,046.50 to Bay Utilities, LLC for construction of the Spring Terrace, Section 3 water, sewer and drainage facilities to serve Spring Terrace, Section 3; (g) Pay Estimate No. 11 in the amount of \$134,764.61 and Change Order No. 3 in the amount of \$76,048.26 for construction of the detention pond to serve Spring Terrace; and (h) Pay Estimate No. 5 in the amount of \$45,000.00 to Lecon, Inc. for the construction of the detention pond to serve the Villages of Senterra Lakes development; 5) the approval of the reimbursement of \$55,248.30 to Northcrest 2920, L.P. for advance installation of the 9' x 5' gravity outfall box culvert and concrete slope paving for the joint detention/Upper Seals Gully expansion project; 6) authorize execution of the Temporary Storm and Sanitary Sewer Easement and Construction Access Easement for Spring Terrace, Section 5 and 7) approve Developer Reports.

REGULAR AGENDA

REVIEW AND DISCUSS GARBAGE COLLECTION SERVICE MATTERS

The Board first recognized Mr. Smith, who addressed the Board concerning garbage collection issues due to Hurricane Rita. Mr. Smith then read a statement from Republic concerning the pick-up problems and service issues that have occurred as a result of the

hurricane, a copy of which is attached hereto. Director Warren then voiced his frustration and displeasure with Republic for the lack of management and the lack of human concern for the working conditions of the garbage collection crews working in the District on Monday, September 26th, and Tuesday, September 27th, following the storm. Director Warren stated that he followed the crews around offering them water on those days. Mr. Smith noted that the crews are provided with water and Gatorade on the trucks.

Discussion then ensued regarding the late evening hours the crews are still collecting garbage throughout the District on a routine basis. It was noted that there are now numerous subdivisions in the District, and that the District currently has in excess of 2,850 connections, with many more connections to be added. Mr. Smith expressed his surprise to learn of the rapid rate of growth in the District and the late hours that the crews were working in the District.

Mr. Hudson then entered the meeting at 6:05 p.m.

Director Thomas then asked if the collection crews had been told by Republic when storm debris would be collected in the neighborhoods. Mr. Smith stated that the collection crews were instructed to pick up the normal household garbage first and then begin collecting the storm debris. Director Thomas also asked how much longer the collection crews would continue to be collecting garbage at 8:00 p.m. and later in the District. Mr. Smith stated that Republic has assigned two (2) collection trucks to the District, but that the matter needs to be further addressed by the Operations Manager based on the large amount of growth in the District. The Board then stated that it is obvious that a third truck should be assigned to the District. Ms. Bobbitt interjected that the District's contract with Republic specifies that garbage pick-up is to be done between the hours of 7:00 a.m. and 4:00 p.m. The Board agreed that Republic needs to review and revise its service practices in the District and instructed Mr. Smith to work with Mr. Conner regarding such matter. Mr. Smith stated that he would contact Republic's operations department regarding the service issues and report back to Mr. Conner.

Mr. Smith then exited the meeting at 6:32 p.m.

REVIEW AND DISCUSS PROPOSED EXTENSION/RENEWAL OF ELECTRIC SERVICE PROVIDER CONTRACT

Mr. Conner reported that over the past six (6) months, the District had realized a savings of an estimated \$21,184 on the electric bills for the District's facilities as a result of the current electric service provider contract. Mr. Harrington then explained that since Hurricanes Katrina and Rita, electric power prices have increased by approximately 80%. Mr. Harrington speculated that, after hurricane season and over the next two (2) months, prices will likely begin to decline. Mr. Conner noted that he and Mr. Harrington would like to lock into a favorable long-term contract for the District as soon as conditions improve and prices decline and stabilize. A discussion ensued regarding the projected power costs over the next several months and into the winter months. The Board then authorized Mr. Conner to work with Mr. Harrington to monitor the power costs over the upcoming months in order to lock into a favorable rate for a longer term contract for the District.

Mr. Harrington then exited the meeting at 6:40 p.m.

PUBLIC HEARING ON 2005 TAX RATE

Director Steffes then declared the public hearing open to discuss the District's proposed tax rate for 2005. Director Steffes recalled that at the September 20, 2005 meeting, the Board had voted to propose a tax rate of \$0.50 per \$100 of assessed valuation for debt service purposes and a tax rate of \$0.25 per \$100 of assessed valuation for operations and maintenance purposes, for a total 2005 tax rate of \$0.75 per \$100 of assessed valuation, and to authorize Ms. Hall to publish notice (the "Notice") of the proposed tax rate and the public hearing on such tax rate in the "This Week" section of the Houston Chronicle at least seven (7) days prior to tonight's public hearing. Ms. Hall stated that the Notice had been published as discussed. Ms. Bobbitt then explained that since there were no members of the public to ask questions concerning the proposed tax rate, the Board could close the hearing and proceed with setting the District's 2005 tax rate. Director Steffes then declared the public hearing closed.

ORDER SETTING RATE AND LEVYING TAX FOR 2005

Next, Ms. Bobbitt presented for the Board's adoption and approval an Order Setting Rate and Levying Tax for 2005 regarding the proposed levy of a tax rate of \$0.50 per \$100 assessed valuation for debt service purposes and \$0.25 per \$100 of assessed valuation for operations and maintenance purposes, for a total 2005 tax rate of \$0.75 per \$100 of assessed valuation, a copy of which is attached hereto. Ms. Bobbitt explained that due to GASB 34 accounting requirements, it is necessary to reflect in the minutes at the time such Order is adopted the applicable accounting period for the taxes being levied. Ms. Bobbitt explained that the debt service tax to be levied at tonight's meeting will be for the calendar year ending December 31, 2006, and that the operations/maintenance tax to be levied will also be for the District's fiscal year ending December 31, 2006.

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 adopt the Order Setting Rate and Levying Tax for 2005, thereby levying a debt service tax rate of \$0.50 per \$100 of assessed valuation for the calendar year ending December 31, 2006 and an operations/maintenance tax rate of \$0.25 per \$100 of assessed valuation for the District's fiscal year ending December 31, 2006, for a total 2005 tax rate of \$0.75 per \$100 of assessed valuation.

AMENDED DISTRICT INFORMATION FORM

Ms. Bobbitt then explained that pursuant to Section 49.452 of the Texas Water Code, as amended, the District is required to amend its District Information Form any time information in such form is revised or updated and, therefore, since the District's 2005 tax rate has been adopted, an amendment to the District Information Form is necessary. 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 authorize the execution of the Amended District Information Form, a copy of which is attached hereto, and to authorize the District's attorneys to file such amendment in the Harris County Real Property Records and with the Texas Commission on Environmental Quality (the "TCEQ"), as required by law.

ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF RULES, POLICIES, CODE OF ETHICS AND LIST OF AUTHORIZED BROKERS FOR THE INVESTMENT OF DISTRICT FUNDS

Ms. Bobbitt then explained that the Public Funds Investment Act, as amended, requires the Board to review the District's investment policy on an annual basis and presented an Order Regarding Annual Review of Rules, Policies, Code of Ethics and List of Authorized Brokers for the Investment of District Funds for the Board's consideration and adoption. Ms. Bobbitt noted that the list of approved financial institutions/brokers had been updated by Ms. Jarmon. 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 adopt such Order, a copy of which is attached hereto.

UPDATE ON REQUEST FOR SERVICE TO TEXAS MEGA STORAGE TRACT

Mr. Peterson reported that Jones & Carter had received a re-submitted set of construction drawings and a letter from Montgomery & Associates on October 11, 2005 concerning the Texas Mega Storage tract. Mr. Peterson noted that the drawings did not address all of the items of concern that were presented by Jones & Carter and, therefore, a response letter dated October 13, 2005 was sent to Mr. Gary Montgomery requesting additional information and materials, a copy of which is attached hereto. Ms. Bobbitt reported that she had received a phone call from Mr. Tim Green, the attorney representing Texas Mega Storage, prior to tonight's meeting, stating that Mr. Montgomery was out of the country for one (1) week and, therefore, it would take several weeks before Jones & Carter will receive a response back from Montgomery & Associates. Mr. Conner stressed that he had been very clear with Mr. Montgomery about how specific his drawings and plans need to be in order to adequately and appropriately address the Board's issues and concerns regarding the project. Mr. Conner noted that Harris County (the "County") representatives are continuing to monitor the project. Mr. Conner also noted that he and Jones & Carter are continuing to closely monitor and document the project, as necessary.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of September, a copy of which is attached hereto. Ms. Hall reported that 96.8% of the District's 2004 taxes have been collected as of today's date. Ms. Hall also noted that she had received a supplemental tax roll from the Harris County Appraisal District (the "HCAD"), but that it contained only personal property.

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 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 no action was required by the Board on the Delinquent Tax Attorney's Report at this time.

Director Marks then entered the meeting at 6:58 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 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 further noted that the District had received several large commercial tap fees during the month, and that \$238.18 in unclaimed funds would be escheated to the State of Texas pursuant to the Unclaimed Property Act.

Director Thomas reported that he is working with Ms. Barbara Payne of Payne Communications and Mr. Russell Lambert of Texas Network to update and redesign the District's website, as previously discussed by the Board.

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

Ms. Hall then exited the meeting at 7:03 p.m.

DIRECTOR'S REPORT

Director Thomas then reported that he had inspected the District's facilities on October 13, 2005 with Mr. Almaguer. A copy of Director Thomas' written report is attached hereto. Director Thomas reported that Hurricane Rita caused some damage to the fences at the District's various facilities, but that such damage would be covered by the District's insurance policies. Mr. Almaguer stated that he is investigating the cost to repair or replace the south gate opener at the Sewage Treatment Plant. Director Thomas noted that builders have been erecting signs on the Lift Station No. 4 property. Mr. Conner stated that he will look into such matter.

Concerning the paint job at Water Plant No. 2, Director Thomas reported that Mr. Conner would be contacting the contractor to correct several problems.

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 Director's Report.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of September with the Board, including the termination list, copies of which are attached hereto. Ms. Sears first reported that the District's four (4) month water accountability ratio was 90.1%, and that there were eight (8) sludge hauls during the prior month. Ms. Sears added that there are currently 3,429 connections in the District, including 2,842 residential accounts, 323 builder accounts and 92 vacancies. Ms. Sears also reported that Aqua Services is working on the District's application

for participation in the Water Smart program, which is due to be filed with the Association of Water Board Directors - Texas by April, 2006. Ms. Sears noted that water conservation messages will be included in the message area of the District's monthly invoices, and that she will order some water conservation brochures to distribute to customers in order to satisfy some of the Water Smart application requirements. Ms. Bobbitt noted that water conservation brochures can be ordered at no cost from the North Harris County Regional Water Authority (the "NHCRWA").

A lengthy discussion ensued regarding the faulty control panel for the soft start at Water Well No. 3. Mr. Peterson explained that the soft starter is tripping the system, but they cannot find any evidence of an electrical current imbalance. Mr. Peterson stated that several motherboards had been installed on the soft start mechanism and had subsequently burned out. Mr. Peterson added that Jones & Carter does not want to reinstall the District's reworked well until the problem with the soft start is resolved. Mr. Almaguer noted that Cutler-Hammer, the manufacturer of the soft start system, has acknowledged a problem with the motherboard. Mr. Peterson stated that Jones & Carter will review other possible alternatives to resolve the problem and prepare a recommendation for discussion and review by the Board at the November meeting. Director Marks cautioned that a new soft start system needs to be compatible with the well. Mr. Conner noted that the soft start system had been operating for two-and-one-half (2½) years without any trouble prior to being hit by lightning.

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 and to authorize the termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order.

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.

The Board then discussed the Texas Mega Storage development and the Jones & Carter letter to Mr. Montgomery. Director Marks commented that too much time and money is being spent on the Texas Mega Storage matter and their non-compliance with the District's Policies and Procedures for Development and Rate Order provisions and stated that the property owner should either comply with the District's requirements or not receive service from the District. Mr. Peterson noted that the Jones & Carter letter to Mr. Montgomery adequately conveys that message.

Concerning the District's water supply needs and proposed Buy/Sell Agreement with the NHCRWA, Mr. Peterson reported that he and Mr. Shackelford had recently met with Mr. Tom Rolen, Engineer Manager for the NHCRWA, to discuss the District's capacity needs and the District's participation in the NHCRWA's Groundwater Transfer Program. Mr. Peterson noted that the NHCRWA transmission line will tie into the District's Water Well No. 3.

Regarding the preparation of the District's eighth (8th) bond application report (the "BAR"), Mr. Peterson reported that Jones & Carter is working with Ms. Hall to finalize the

HCAD values and the developer projections, and that Jones & Carter anticipates that the BAR will be ready for submission to the TCEQ within the next 30 days.

Mr. Peterson then reviewed the feasibility study concerning the request for service to the West/Hudson 20-acre tract of land located within the District east of Rhodes Road, west of Bridgestone Lakes, Sections 2 and 3 and north and south of Seals Gully (the "Tract"), a copy of which is attached hereto. Mr. Peterson explained that the proposed residential development would require 34,000 gallons per day ("gpd") average daily flow of water capacity to serve 81 single-family homes with an estimated average value of \$136,000 per home, including lot value. Mr. Peterson noted that an existing eight-inch (8") waterline north of the tract in Bridgestone Lakes, Section 4 and extending across Rhodes Road could be extended approximately 2,000 feet to the southern boundary of the Tract to provide water service, and that the existing 12-inch (12") waterline would also need to be extended from Senterra Lakes across Kuykendahl Road to tie into the proposed waterline extension along Rhodes Road. Mr. Peterson went on to explain that the Tract would require 25,500 gpd average daily flow of wastewater capacity, and stated that there is an existing eight-inch (8") sanitary sewer line and manhole in a five-foot (5') sanitary sewer easement on Fleming Downe Lane in Bridgestone Lakes, Section 3 that could serve the portion of the north of Seals Gully, and that the portion of the Tract located south of Seals Gully could potentially tie-in to the sanitary sewer lift station proposed for the 5.1-acre West tract located west of Rhodes Road or into a separate lift station, if necessary. Mr. Peterson noted that it would be the developer's responsibility to determine and provide for the drainage outfall and any detention requirements for the proposed development. Mr. Peterson added that the calculations of the costs for extending the District's facilities to the Tract and the reimbursement calculations were included in the feasibility study. Mr. Peterson concluded that the potential developed assessed valuation for the Tract would be \$11,016,000 and noted that the development would financially support itself at an 85.5% developer reimbursement level.

Mr. Shackelford noted that additional bonds would need to be authorized by the District and additional water and wastewater capacity will be needed if all the existing and proposed developments come online at the same time.

Upon motion by Director Thomas, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the feasibility study and approve the request for service to the West/Hudson 20-acre tract and authorize the attorney to prepare the necessary Agreement for Financing of Facilities.

Mr. Shackelford then reported that he had recently met with Mr. Tom Ricker of Klein Independent School District ("Klein ISD") to discuss the terms of the proposed Water Supply and Wastewater Treatment Agreement by and between Klein ISD and the District for service to the 100-acre Klein ISD tract (the "Agreement") and to discuss the District's request for a water plant site on the Klein ISD tract. Mr. Shackelford reported that Mr. Ricker is agreeable to the proposal and would present the proposed Agreement for approval at the November meeting of the Klein ISD Board of Trustees.

Mr. Shackelford then gave a brief update on the proposed Interlocal Agreement by and between the County, the District and KB Home Lone Star, LP ("KB") for the extension of T.C. Jester Boulevard and installation of a District waterline by KB. Mr. Shackelford added that

Ms. Bobbitt's office is working on a final draft of the Interlocal Agreement for transmittal to the County.

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 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.

Mr. Conner stated that the Harris County Precinct 4 Constable's Report had been previously distributed to the Board, a copy of which is attached hereto.

Sergeant Blankenship and Corporal Stensland then entered the meeting at 8:10 p.m.

Mr. Conner next discussed his recent email communication to the Board regarding the comparison of costs to have a Lieutenant and six (6) deputies on a 70% coverage basis versus a 100% coverage basis, a copy of which is attached hereto. The Board then discussed the possibility of having "in-house" security officers rather than contracting with the Constable's office. Director Steffes noted that if Mr. Conner were to prepare a spreadsheet of all the salaries and related costs for the District to have an "in-house" security program, it would reflect that a large expenditure of District funds would be required. Director Thomas noted that he did not think the District was at the point that a 100% coverage is necessary. Director Marks interjected that the crime rate in the District is not increasing and that he does not believe the District needs to increase security coverage. Director Marks added that he does not feel the District is getting its money's worth from the current security program and would prefer to take the program in-house. Director Warren responded that he disagrees with Director Marks on this matter and did not think the District could take on the security program in a cost effective manner. Director Marks stated that he is only suggesting that the Board to look into the possibility of having an in-house security program. Upon motion by Director Thomas, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to retain the 70% coverage program and to request that Sergeant Blankenship be designated as the Lieutenant for the District, along with retaining six (6) deputies from the Constable's office.

Mr. Conner stated that Mr. Almaguer had already reported on the problems with Water Plant No. 3, and that such information was more current than what is reflected in his General Manager's Report.

Mr. Conner next reported that the District incurred approximately \$37,000 in wind damage from Hurricane Rita, which damage was mostly to the District's fences at Water Plant Nos. 1 and 2, Lift Station Nos. 1, 2, 4, 5 and 6. Mr. Conner added that Aqua Services is filing a claim for such damages with Anco-Wessendorff, the District's insurance broker representative. Mr. Conner stated that he would work with the insurance adjuster to settle the claims.

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 General Manager's Report.

ATTORNEY'S REPORT

Ms. Bobbitt informed the Board that it was time for the City of Houston (the "City") to consider the next round of Strategic Partnership Agreements ("SPA"). Ms. Bobbitt reminded the Board that last year the City denied the District's application to enter into an SPA because of the high volume of SPA applications received by the City. Ms. Bobbitt explained that an SPA would provide for: (1) the City to annex the commercial areas of the District for limited purposes only; (2) the City to impose a \$0.01 sales and use tax within the commercial areas of the District, of which the District would receive a rebate of fifty percent (50%); and (3) the City's agreement not to annex the District for 30 years. Ms. Bobbitt asked the Board if it was still interested in participating in an SPA with the City. 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 authorize the District's consultants to proceed with submitting the necessary documents and information for the District's participation in an SPA with the City.

Concerning acquisition of the necessary easements for the Villages of Senterra Lakes development, Ms. Bobbitt reported that the easement from Mr. David Klein, et al. had been revised and that Ms. Allen is continuing with negotiations with Mr. Klein on the matter. Ms. Bobbitt noted that the check to the Kleins for the easement would be held until the matter is resolved. The Board stated that they would like "before" and "after" photos taken of the easement areas before any construction is started to enable the District to be able to show what the condition of the land was in prior to any work being done.

Upon motion by Director Schkade, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the two (2) waterline easements from Ronald Theiss and Craig Theiss.

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 Attorney's Report.

MISCELLANEOUS MATTERS

Ms. Bobbitt briefly summarized the Board's earlier discussion regarding garbage collection service matters to Director Marks. Ms. Bobbitt noted that Republic needed to revise the pick-up schedule to adhere to the contract requirements. Mr. Conner stated that he will continue to work with Mr. Smith of Republic on the service issues.

Ms. Bobbitt then noted that the next regular meeting of the Board would be held on Tuesday, November 15, 2005, at 6:00 p.m. at the Bridgestone Community Center.

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

PASSED, APPROVED AND ADOPTED this 15th day of November, 2005.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)

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