

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 meeting on October 4, 2005 and the developer reports have been removed from the Consent Agenda and stated that a pay estimate for the Bella Sera detention pond has been added to the Consent Agenda.

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 following Consent Agenda items: 1) approve the minutes of the regular meeting of February 21, 2006, as written, 2) authorize design of the water, sewer and drainage facilities to serve Northcrest Village, Sections 4 and 5; 3) review bid tabulations and award contract for a) Spring Terrace, Section 4 water, sewer and drainage facilities to Bay Utilities, L.L.C. in the amount of \$377,818; and b) Northcrest Village, Section 3 water, sewer and drainage facilities to Pace Services, L. P. in the amount of \$416,068.70; 4) approve the following pay estimates: a) Pay Estimate No. 8 and Final in the amount of \$14,939.50 to B-5 Construction Co., Inc. for construction of the storm water pump station and outfall improvements to serve Gosling Pines, Section 1; b) Pay Estimate No. 7 and Final in the amount of \$36,321.07 to Maverick Contractors, Inc. for construction of the detention pond to serve Northcrest Village; c) Pay Estimate No. 5 in the amount of \$32,494.20 to Clearwater Utilities, Inc. for construction of water, sewer and drainage facilities to serve Spring Terrace, Section 5; d) Change Order No. 8 in the amount of \$8,312.00 to the construction contract with Cravens Partners, Ltd. for adjustments to the existing facilities for Spring Terrace lift station and offsite utilities; and e) Pay Estimate No. 3 in the amount of \$144,546.03 to Kenneth Lamb Construction Co., Ltd. for construction of the water, sewer and drainage facilities to serve Villages of Senterra Lakes, Section 1; 5) authorize execution of any necessary easements to serve various District developments; 4) ratify the General Manager's actions regarding a resident water theft incident; and 6) acceptance of the Wal-Mart detention pond for maintenance.

Director Thomas then inquired whether Change Order No. 8 to the Spring Terrace lift station and offsite utilities construction contract was a reimbursable item to the developer. Mr. Peterson stated that the item was not reimbursable to the developer, and he would flag the item as such to be certain no reimbursement is made to the developer for this item.

ELECTION AGENDA

ADOPT ORDER DECLARING UNOPPOSED CANDIDATES ELECTED AND CANCELING ELECTION

Ms. Bobbitt then presented the Order Declaring Unopposed Candidates Elected and Canceling Election (the "Order") on May 13, 2006 for the Board's approval, a copy of which is attached hereto. Ms. Bobbitt explained that since the incumbent directors to be listed on the ballot for the 2006 Director Election are unopposed, the District is not required to hold an election and reminded the Board that they had previously determined that no election would be

held if there were no opposed candidates. Ms. Bobbitt next presented a Certificate Regarding Unopposed Candidates to the Board, a copy of which is attached hereto. 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 adopt the Order, thereby declaring Director Steffes and Director Warren elected to office for a four (4) year term to expire in May 2010. Ms. Bobbitt noted that a copy of the Order would be posted in the District where the meeting notices are posted and at the Bridgestone Community Center (the "Community Center"), as required by the provisions of the Texas Election Code.

REGULAR AGENDA

PETITION FOR CONSENT TO ANNEX 1.2167-ACRE TRACT OF LAND

Ms. Bobbitt next reported that Kuykendahl 2920, Ltd., the owner of the 1.1267-acre commercial tract of land located at the northeast corner of the intersection of FM 2920 and Kuykendahl Road, had submitted executed copies of their Petition for Addition of Certain Lands into the District and the Petition for Consent to Annex Land into a District (collectively, the "Petitions"). Ms. Bobbitt asked the Board to accept the Petitions, authorize execution of the Petition for Consent to Annex Land into the District and authorize JRPB to prepare and submit the application to the City of Houston (the "City") for consent to annex the tract. 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 accept the Petitions, authorize execution of the Petition for Consent to Annex Land into the District and authorize JRPB to prepare an application to the City. Copies of the Petitions are attached hereto.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of February, a copy of which is attached hereto. Ms. Hall reported that 90.9% of the District's 2005 taxes have been collected as of today's date. Ms. Hall also reported that the District delinquent tax statements had been mailed.

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 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 Warren then asked about the process and procedures for collecting delinquent taxes from persons or entities that are in bankruptcy. Ms. Hall stated that the District eventually receives a portion of the outstanding taxes from the bankrupt party. Director Warren next asked about taxes due on foreclosed property. Ms. Hall stated that when a foreclosed property is sold, the taxes are paid first and that the remaining money, if any, is paid to the lienholder on the property. Ms. Bobbitt explained that payment of taxes is a first lien priority on the property.

Mr. Cornelius then entered the meeting at 6:28 p.m.

Director Steffes next reported that Section I, item 8 on the Delinquent Tax Report is a viable business that is still in operation and asked Ms. Hall to report such information to Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax attorney. Director Steffes also noted that Section I, item 9 is not a viable business. Concerning Section II, item 2, Director Steffes stated that he knows the owner of the tract of land and can provide the owner's contact information to Ms. Hall.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2006 TAX YEAR

Ms. Bobbitt then presented to the Board a Resolution Concerning Exemptions from Taxation for 2006 Tax Year. Ms. Hall reminded the Board that for the 2004 tax year, the Board granted a \$25,000 exemption for individuals who were disabled or were 65 years of age or older and granted a 10% general residential homestead exemption. Ms. Hall noted that there are 219 accounts that claim the disabled or over 65 years of age or older exemption, and there are 1,966 accounts that qualify for the 10% general residential homestead exemption. A discussion ensued regarding increasing the District's tax exemptions. The Board expressed a desire to increase the District's tax exemptions. Ms. Hall then explained that the current 10% general residential homestead exemption removed approximately \$22 million in tax value from the District's tax rolls, and that the disabled or over 65 years of age or older exemption reduces the District's taxable value by approximately \$5 million. Ms. Bobbitt stated that she would contact Mr. Carlin Short, the District's financial advisor, to review the tax exemption matter and make a recommendation to the Board for the April meeting.

Director Steffes then asked Ms. Hall to prepare a letter to Mr. Gene Boswell stating that his property is not within the boundaries of the District, and asked Ms. Hall to remove Mr. Boswell from the District's tax roll and from the Equi-Tax mailing system to ensure that Mr. Boswell no longer receives delinquent tax statements. Ms. Hall stated that she would prepare such a letter to Mr. Boswell and copy Ms. Bobbitt's office on such letter.

RESOLUTION IMPLEMENTING PENALTY ON 2005 DELINQUENT TAXES AND CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES

Ms. Bobbitt then explained that pursuant to Sections 6.30, 33.07 and 33.08 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2005 taxes that remain delinquent as of July 1, 2006, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. 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 the Resolution Implementing Penalty on 2005 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is attached hereto.

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 first reported that he did not have an update regarding payment of the outstanding invoices for engineering and legal services associated with the Texas Mega Storage development. Mr. Shackelford added that no response or further contact has been received from Texas Mega Storage.

Mr. Conner next reported that the Harris County Precinct 4 Constable's Report was distributed via email, a copy of which is attached hereto.

Director Marks then entered the meeting at 6:45 p.m. Ms. Linda Theiss also entered the meeting to deliver something to Director Warren and exited the meeting.

Mr. Conner next reported that Director Warren has expressed an interest in the District installing benches around trees along the portion of the proposed hike and bike trail that will go through the District's lots/park property located adjacent to the Community Center property on Slippery Creek. Director Warren then stated that the District's park property needs some refurbishing and noted that there are two (2) large holes on the property that need to be filled with dirt. Director Warren then further suggested that the District enter an agreement with the Bridgestone Homeowners Association (the "Bridgestone HOA") for the mowing of the District's park property in order for such property to be mowed at the same time the Community Center property is mowed in order to have a more uniform appearance. Director Steffes then commented that he thought that the Board had agreed to delay refurbishing the District's park property until a later phase of the hike and bike trail project. Mr. Conner confirmed that the portion of the hike and bike trail that will go through the District's park property is planned as a second or third phase of the hike and bike trail project, and noted that the first phase of the hike and bike trail project will be to install the trail along Seals Gully up to Bridgeview Lane.

Further discussion ensued regarding whether the Bridgestone HOA's mowing service has adequate insurance coverage. Director Warren assured the Board that the mowing service does have the necessary insurance coverage. Director Thomas then asked if the District can enter an agreement with the Bridgestone HOA for the mowing of the District's park property. Ms. Bobbitt responded that the District and the Bridgestone HOA could enter into an agreement for the mowing work. Director Thomas suggested that the District pay the Bridgestone HOA a flat rate annually for the District's share of the mowing costs, and asked Ms. Jarmon to calculate the District's cost for mowing the park property for the last two (2) years. The Board concurred that they would be willing to enter into an agreement with the Bridgestone HOA for the mowing of the District's park property upon receipt of a proposal from the mowing contractor, along with evidence of such contractor's insurance coverage.

Ms. Hall then exited the meeting at 6:58 p.m.

Mr. Conner then reported that the design for the hike and bike trail will be ready later this week to submit to Harris County (the "County") for review and approval. Mr. Conner stated that the proposed letter agreement with the County regarding the joint use of the County's drainage

easements for the installation and maintenance of the hike and bike trail should be received from the County in the near future.

Concerning Ditches "A" and "B", Mr. Conner reported that the rehabilitation work has been completed on Ditch "A". Mr. Conner stated that JRPB and Jones & Carter are working on the acquisition of the 0.88-acre tract of land from Mr. Bill Paiko to expand Ditch "B". Ms. Bobbitt reported that the appraisal on Mr. Paiko's property will be prepared once the metes and bounds description for the tract is provided. Mr. Peterson noted that Jones & Carter is in the process of preparing the metes and bounds description and the survey for the 0.88-acre tract of land.

Mr. Conner next reported that he, Mr. Shackelford, Mr. Peterson, Ms. Bobbitt and Mr. Almaguer are going to meet on Friday, March 24, 2006, to review and discuss proposed revisions to the District's Rate Order and Policies and Procedures for Development ("Policies and Procedures"). Mr. Conner added that Mr. Shackelford is concerned that his office often must make multiple reviews of construction plans for the development projects, which leads to engineering costs that exceed the \$3,000 feasibility deposit. In addition, Mr. Conner stated that because of recent failures of the grease trap inspections at the Wendy's restaurant and the owner's unwillingness to comply with the District's Rate Order provisions concerning grease trap maintenance, he is recommending a change to the District's Rate Order that will allow the District to give the offending parties 24 hours to come into compliance or service will be terminated. Mr. Conner also reported that he is gathering analytical evidence about the amount of pollutants that were discharged into the District's system in connection with the three (3) grease trap inspection failures at Wendy's. Director Marks asked why the Board is always being asked to amend the District's Rate Order. Ms. Bobbitt explained that the proposed amendment to the Rate Order will specify the penalty and fine for non-compliance with the District's grease trap inspection requirements. Mr. Peterson stated that he would also review the District's Industrial Water Order prior to the consultants' meeting on Friday, March 24th.

Director Thomas then suggested JRPB prepare a letter to Griffin Restaurants ("Griffin"), the owner of the Wendy's, notifying them that the grease trap must be brought into compliance with the provisions of the District's Rate Order within 24 hours of the date of receipt of the letter, and that Aqua Services has been instructed to re-inspect the Wendy's grease trap at the end of the 24-hour period and report the results of such inspection to the District's General Manager. Director Thomas went on to state that if the re-inspection of the grease trap results in an additional failure, the District, as authorized by the Rate Order, shall impose a fine of \$1,000.00 per day, commencing on the date of re-inspection until the grease trap is brought into compliance. 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 JRPB to prepare the necessary letter to Griffin.

Director Marks then asked Mr. Conner why the Progressive Pumps issue continued to be reflected on his General Manager's Report. Mr. Conner explained that he and Mr. Shackelford met with the owner of Progressive Pumps last month to discuss the District's plans for the routing of the proposed improvements to Bonds Gully, and that he is waiting to hear back from the owner on such matter.

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.

DIRECTOR'S REPORT

Director Schkade then reported that he had inspected the District's facilities with Mr. Almaguer on Saturday, March 18, 2006. A copy of Director Schkade's report is attached hereto. Director Schkade reported that the District's facilities were in great shape and noted only a few minor items that needed attention. 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.

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 reported the receipt of \$46,980 in tap fees during the prior month.

Concerning Director Thomas' earlier request about the District's cost for mowing the District's park property, Ms. Jarmon explained that she had reviewed the information during the meeting and determined that the District has paid the mowing contractor a total of \$3,150 over the last two (2) years, which equates to 42 mowings per year at a cost of \$75.00 per month.

Director Steffes then asked for clarification regarding the costs charged to builders for the replacement of meter boxes and lids and expressed concern that the District may not recover the full cost for the replacement of such items from the builders. Ms. Sears then briefly explained that Aqua Services maintains a stock of the District's meter boxes and lids and that the costs for replacing such items are always backcharged to the responsible builder. Ms. Jarmon then noted that she receives a list of the backcharges each month from Aqua Services, but she does not know how much Aqua Services is backcharging to the builders. Mr. Conner stated that the District was not losing money on the materials, but may be losing money on Aqua Services' labor costs. Director Steffes asked Ms. Sears to provide the Board with a list of builder damages with a comparison of costs incurred by the District with the monthly Operator's Report.

Ms. Jarmon then reported that Ms. Dold had reviewed the District's past meeting minutes and found that on May 18, 2004, the Board approved a reimbursement to Neal's Restaurant ("Neal's") in the amount of 10% of the costs for hauling wastewater from Neal's from April 26, 2004, the date the Notice to Proceed was issued to Canyon Construction Company, until the sewer line from the District to the Stimac Enterprises commercial strip was completed, such date being August 6, 2004. Ms. Jarmon noted that Director Warren had delivered the invoice back-up from Neal's for the wastewater hauling costs to her at tonight's meeting. Ms. Jarmon stated that charges totaling \$19,372.50 qualified for the 10% reimbursement, such amount being \$1,937.25.

A copy of the summary of the back-up invoices is attached hereto. 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 approve the \$1,937.25 reimbursement to Neal's.

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, the investment report and the payment of the checks therein.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of February with the Board, including the termination list, copies of which are attached hereto. Ms. Sears reported that the District's four (4) month water accountability ratio was 91.9%, and that there were 14 sludge hauls during the prior month. Ms. Sears added that there are currently 3,697 connections in the District.

Director Schkade then inquired why the District's water accountability is down. Mr. Conner explained that the water accountability is adversely affected when a large amount of construction is going on in a district and/or when the lines are frequently flushed. Mr. Conner stated that the accountability percentage is not bad in light of the amount of construction activity in the District, and noted that Aqua Services is trying to meter the water that is flushed in order to improve the water accountability.

Ms. Sears then reported that a draft of the District's 2005 Consumer Confidence Report (the "CCR") is attached to the Operator's Report for the Board's review. Ms. Sears asked Director Steffes to review and update his message on the CCR, so it can be finalized for mailing to the District's customers by July 1, 2006.

Ms. Sears next noted that a water conservation brochure was sent out in the most recent customer billing cycle, as previously authorized by the Board. Ms. Sears then presented the Association of Water Board Directors - Texas (the "AWBD") Water Smart Partner Application for the District for execution by the Board, and noted that the application would be submitted to the AWBD by the April 5, 2006 deadline.

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.

Director Schkade then asked that annual inspections and discharge sampling be performed on businesses that have a potential for discharging hazardous waste into the District's sanitary sewer system, and that the results of such annual inspections/discharge sampling be included in the Operator's Report. Mr. Conner concurred that an annual inspection/discharge sampling program would be a good idea, but noted that such a program would be costly and stated that the consultants would discuss the matter further at their meeting on Friday.

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 first reported that he had revised the feasibility study for the proposed Augusta Village development for a 20-acre tract of land located east of Rhodes Road, north and south of Seals Gully and west of Bridgestone Lakes, Sections 2 and 3, within the boundaries of the District. A copy of the revised feasibility study is attached hereto. Mr. Peterson stated that the plans for the development now include public streets and public water, sewer, drainage and storm water detention facilities. Mr. Peterson reminded the Board that at the February meeting, Mr. Hudson had stated that in order to build out a total of 75 zero lot line patio homes, he needed to annex a 1.32-acre tract located at the north end of the proposed development into the District. Mr. Peterson next displayed a land plan of the proposed Augusta Village development, a copy of which is attached hereto. Mr. Hudson explained that the land plan includes a number of lots that exceed the District's minimum 5,500-square foot lot size requirement for annexed tracts, but also includes a certain number of lots that are less than 5,500 square feet. Mr. Peterson added that the average lot size for the development is 5,500 square feet or greater. Mr. Hudson then explained that the homes in the proposed development would sell in the \$130,000 to \$170,000 range. Mr. Hudson also noted that if the lots on the 1.32-acre annexation tract have to be 5,500 square feet, the project is not economically feasible to develop. Ms. Bobbitt stated that this appears to be a unique situation in that the 20-acre tract is already within the boundaries of the District and is not subject to the District's policy requiring that lots be a minimum of 5,500 square feet, but that the 1.32-acre tract that Mr. Hudson wants to annex into the District is subject to the minimum lot size requirement unless the Board is willing to waive such requirement in light of the fact that a portion of the lots will exceed the lot size requirement, and that the average lot size for the entire development exceeds the minimum lot size requirement.

Mr. Cornelius then exited the meeting at 8:20 p.m.

An extensive discussion then ensued regarding whether the Board would be willing to waive or grant a variance to the minimum lot size requirement for annexed tracts. Director Steffes then asked Mr. Peterson what action he was seeking from the Board concerning this matter. Mr. Peterson responded that he is seeking Board approval of the revised feasibility study. Director Steffes then stated that it appears the Board was willing to approve the revised feasibility study, but is not willing to grant a variance on the minimum lot size requirement for the 1.32-acre annexation tract. Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the revised feasibility study and proceed with the annexation of the 1.32-acre tract of land, provided that the developer complies with the minimum lot size requirement in accordance with the District's Policies and Procedures.

Mr. Hudson and Mr. Glunt then exited the meeting at 8:45 p.m.

Concerning the proposed improvements to Bonds Gully, Mr. Peterson reported that Jones & Carter is working with Ms. Diane Allen of JRPB to prepare and acquire the additional easements that are needed in connection with such project.

Mr. Peterson next reported that Jones & Carter has received a deficiency letter from the Texas Commission on Environmental Quality (the "TCEQ") regarding the District's eighth (8th) bond application report (the "BAR") and noted that Jones & Carter is in the process of preparing a response letter to the TCEQ. Mr. Peterson noted that the District's ninth (9th) BAR will soon be completed and ready to submit to the TCEQ once the District's eighth (8th) BAR is approved.

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 Engineer's Report.

ATTORNEY'S REPORT

Concerning the proposed Strategic Partnership Agreement between the District and the City, Ms. Bobbitt reported that the City has postponed consideration of the District's application until the fall of 2006.

Ms. Bobbitt further noted that her office is continuing to work on various easement acquisitions for developments located in the District, including, but not limited to, easements for the Villages of Senterra Lakes, Bridgestone Lakes, Gosling Pines and Bella Sera developments, and conveyance documents for several detention ponds.

UPDATE ON STATUS OF DISTRICT WEBSITE IMPROVEMENTS

Director Thomas then reported that he anticipates that the improvements to the District's website will be completed within the next two (2) months and offered to continue to work on the project until its completion.

RESIGNATION OF DIRECTOR THOMAS

Director Thomas then reported that he will move to his new home at the end of March and, therefore, tendered his resignation from the Board, a copy of which is attached hereto. 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 accept Director Thomas' resignation. The Board then expressed their gratitude to Director Thomas for his service to the District.

Director Steffes then stated that the Board will schedule a special workshop meeting in April to review and discuss the appointment of a qualified individual to replace Director Thomas.

Ms. Bobbitt then noted that the next regular meeting of the Board will be held on Tuesday, April 18, 2006, 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 18th day of April, 2006.

/s/ Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)

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