

2006-14
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
September 19, 2006

THE STATE OF TEXAS §
COUNTY OF HARRIS §
BRIDGESTONE MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Bridgestone Municipal Utility District (the "District") met in regular session, open to the public, at the Bridgestone Community Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, September 19, 2006, 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
Linda D. Theiss	Secretary
Ronald W. Schkade	Assistant Secretary
Skip Warren	Treasurer

All members of the Board were present, except Director Marks, 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; Mr. L. Carlin Short, financial advisor for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Messrs. Ed Shackelford, P.E. and Erich Peterson, P.E. and Ms. Dedra Ecklund of Jones & Carter, Inc., engineers for the District; Mr. Joe Almaguer and Ms. Karen Sears of Aqua Services, LP, operators for the District; Mr. Bob Hudson of Texas Investment & Development Company and Mr. David Glunt of Glunt Investment & Development Company, developers of the Bridgestone Lakes, Gosling Pines, Senterra Lakes, Villages of Senterra Lakes and Augusta Village subdivisions within the District and the proposed Fanta tract; Mr. Gary Palmer, a resident of the District; and Ms. Robin S. Bobbitt and Mr. Lewis S. Kasner, attorneys, and Ms. Brooke T. Dold of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the District.

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.

Director Steffes noted that he needed to leave the meeting at 6:20 p.m. in order to attend the Parent's Night at his daughter's school. Director Steffes stated that the following regular agenda items would be deferred to a special meeting: C.11.a.(2), (3) and (4); C.12., C.13.a. and b.; and C.15.a. and b. Director Steffes noted that Director Theiss would preside over the meeting until Director Marks arrives at the meeting.

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. Mr. Peterson then requested that the pay estimates identified on the Engineer's Report as items 2.g., 2.o. and 2.x. and the change order identified as item 3.w. be included on the Consent Agenda. Ms. Bobbitt then requested that approval of the minutes of the special meeting of August 1, 2006 also be deferred.

Mr. Hudson then entered the meeting at 6:08 p.m.

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 following Consent Agenda items: 1) approve the minutes of the regular meeting and executive session of August 15, 2006 and the minutes of the special meeting of July 11, 2006, as written; 2) authorize the advertising for bids, subject to Engineer's receipt, review and approval of projects plans and specifications for: a) the Villages of Senterra Lakes, six (6) inch force main project rebid; and b) Ditch "A" and Ditch "B" improvement project; 3) approve the following pay estimates and change orders: a) Pay Estimate No. 2 in the amount of \$8,331.50 and Pay Estimate No. 3 in the amount of \$232,347.83 from Pace Services, LP for construction of the water, sewer and drainage facilities to serve Northcrest Village, Section 3; b) Pay Estimate No. 3 in the amount of \$29,098.08 from Bay Utilities, L.L.C. for construction of the water, sewer and drainage facilities to serve Spring Terrace, Section 4; c) Change Order No. 2 in the amount of \$15,518.70 from Triple B Services, L.L.P. for construction of the Northcrest Channel - Phase I; and d) Pay Estimate No. 3 in the amount of \$5,100.00 from Angelos Painting for the Water Plant No. 3 Ground Storage Tank Recoating project; and 4) authorize the execution of easements necessary to serve various District developments.

Ms. Hall then entered the meeting at 6:10 p.m.

REGULAR AGENDA

DISCUSS 2006 TAX RATE

The Board then recognized Mr. Short, who distributed copies of his 2006 tax rate recommendation, a copy of which is attached hereto. Mr. Short explained that his recommendation assumes that the District will continue the strategy adopted in prior years of under levying its debt tax rate and maintaining the option of transferring funds from the General Fund to the Debt Service Fund, if necessary. Mr. Short noted that his recommendation is to levy a total 2006 tax rate of \$0.75 per \$100 assessed valuation, comprised of \$0.50 for debt service purposes and \$0.25 for operation/maintenance purposes. Mr. Short also recommended that the minutes reflect that funds will be transferred from the District's operation and maintenance tax revenues in the General Fund to the Debt Service Fund, as may be necessary.

Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to maintain the District's debt

tax rate of \$0.50 per \$100 of assessed valuation and to maintain a maintenance tax rate of \$0.25 per \$100 of assessed valuation for a total 2006 tax rate of \$0.75 per \$100 assessed valuation, to authorize the Tax Assessor/Collector to publish the effective tax calculation and notice of the public tax hearing on the 2006 tax rate to be held at the regular meeting scheduled for October 17, 2006.

Ms. Hall noted that she will publish the effective tax calculation and notice of the public hearing in the "This Week" section of The Houston Chronicle. Director Steffes then asked if the publication should also be posted on the District's website. Ms. Bobbitt stated that she would look into that inquiry and contact Ms. Hall on the matter.

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 Theiss, seconded by Director Schkade, 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.

Mr. Short then exited the meeting at 6:15 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 August, a copy of which is attached hereto. Ms. Hall reported that 97.6% of the District's 2005 taxes have been collected as of today's date.

Ms. Hall next reported that her most recent figures from the Harris Count Appraisal District reflect a 2006 certified value of \$443 million for the District, with a large number of accounts not yet certified.

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.

Director Steffes then exited the meeting at 6:20 p.m.

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 the Delinquent Tax Attorney has requested authorization to file suit on the Cecilia and Donald Davis delinquent account. 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 authorize the Delinquent Tax Attorney to file suit on the Cecilia and Donald Davis delinquent tax account.

Ms. Hall then noted that Wendy Wilkerson has requested a four (4) month installment payment agreement and proposes to pay \$600.00 per month to pay off her delinquent taxes. Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve Ms. Wilkerson's request for an installment payment agreement for her delinquent 2004-2005 taxes.

Ms. Rebecca Hernandez then entered the meeting at 6:40 p.m.

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 noted that the Harris County Precinct 4 Constable's Report was distributed prior to the Board meeting via email. A copy of such report is attached hereto.

Mr. Conner then reported that SAMCO Leak Detection had recently performed the annual leak detection inspection of the District's facilities. A copy of the inspection report is attached hereto. Mr. Conner noted that leaks were detected at the following locations: 25123 Tangle Creek Lane; 4303 Spinks Creek Lane; 4703 Branchberry Lane; 4214 Stallion Brook Lane; 4719 Fleming Downe Lane; and 4414 Piney Creek Lane.

Director Schkade then asked for a status report regarding the Albertson's lawsuit. Mr. Conner noted that there were strained relations between the managing partner of the Albertson's tract and the remaining tenants. Mr. Conner also stated that no new court date for the lawsuit trial has been scheduled.

Director Warren then suggested that the District send a letter to Republic Waste Services, the District's garbage service contractor, commending and thanking the District's garbage collection crews for their hard work. Ms. Bobbitt stated that Mr. Kasner would prepare such letter for the District.

Ms. Hall then exited the meeting at 6:39 p.m.

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.

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, feasibility studies and/or easement acquisitions.

Ms. Jarmon then reported that the District had received \$71,000.00 in tap fee revenue during the prior month and noted that Texas Mega Storage had paid their tap fee.

Ms. Jarmon also noted that check no. 9390 was for funds being escheated to the State of Texas pursuant to the Unclaimed Property Act.

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 reflected therein.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of August 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 90.4%, and that there were 12 sludge hauls during the month. Ms. Sears added that there are currently 4,172 connections in the District.

Ms. Sears then reported that she had contacted all of the contractors currently using rental meters in the District to obtain their meter readings and will continue to push them to submit their usage reports in a timely manner.

Mr. Peterson noted that there is a great deal of construction activity in the District, which is affecting water accountability. Director Warren asked if the District is paying a pumpage fee on the water that is not accounted for. Ms. Bobbitt confirmed that the District must pay the pumpage fee on all water that is pumped from the District's wells. Ms. Jarmon stressed that keeping track of the District's water accountability is important in determining if the District is collecting adequate water service revenue to cover the pumpage fees. It was suggested that the matter be discussed further at the special meeting to be scheduled in the first week of October.

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 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.

UPDATE ON WEBSITE IMPROVEMENTS

Director Theiss stated that she thought Ms. Barbara Payne and Mr. Jerry Thomas were going to attend tonight's meeting. Ms. Bobbitt stated she would contact Ms. Payne concerning the status of the District's website improvements and schedule Ms. Payne's attendance at a future Board meeting.

STATUS OF DITCH "A" AND DITCH "B" IMPROVEMENT PROJECT

Director Warren next commented that the 1.8-acre tract of land purchased from Mr. Bill Paiko for the Ditch "A" and Ditch "B" improvement project needs to be mowed and maintained. Mr. Conner stated that he will arrange for the property to be mowed. Mr. Peterson noted that the plans for the ditch improvement project are in review at Harris County (the "County"), and estimated that it would be 60 to 90 days before a contractor will be on-site to begin work on the 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 authorize Mr. Conner to have the 1.8-acre tract cleaned, mowed and maintained until the project contractor is on-site.

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 noted he had nothing further to report, other than the Consent Agenda items that were previously approved.

Mr. Hudson then asked about the status of right-of-way acquisitions for the Upper/Lower Bonds Gully improvement project. Mr. Peterson stated that such matter is scheduled to be discussed in detail at the special meeting to be scheduled in October.

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 Engineer's Report.

Mr. Hudson then asked for copies of the proposed Detention Pond Maintenance Agreements for the Spring Terrace and Springbrook detention ponds. Mr. Kasner stated that he would provide such agreements to Mr. Hudson.

ATTORNEY'S REPORT

Ms. Bobbitt then reported on the status of the acquisition of easements for various development projects and District facilities. Ms. Bobbitt reported that Minesh and Nayana Patel had accepted the District's final offer in the amount of \$11,603.00 (the amount of the appraised value of the easement) for the easement across their property, and that the executed documents had been received from the Patels and were being executed by the Board tonight. Mr. Peterson stated that he needed the recording information from the easement as soon as possible in order to submit such information to the County for the plan approval process.

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 Attorney's Report.

Director Schkade observed that the air conditioning air intake in the ceiling of the meeting room needed to be enlarged to accommodate the new air conditioning unit recently installed. Mr. Conner stated that he would have the contractor come back to add another air intake.

REVIEW AND DISCUSS RENEWAL OF DISTRICT INSURANCE COVERAGES

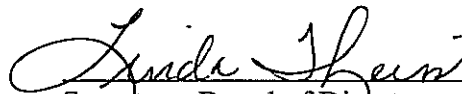
Mr. Conner then distributed a comparison of the insurance proposals received from Anco McDonald Waterworks Insurance Services, L.L.C. ("Anco") and AquaSurance, LLC ("AquaSurance"), copies of which are attached hereto. Mr. Conner noted that the aggregate premium of the Anco proposal was in the amount of \$30,553.00, and that the aggregate premium of the AquaSurance proposal was in the amount of \$28,625.00. Mr. Conner explained that Anco's windstorm damage coverage has been increased to 2% of the value of the facility, with a minimum coverage of \$25,000.00 per occurrence per location. Mr. Conner also noted that both proposals include law enforcement liability coverage. Mr. Conner then recommended that the Board accept and execute the proposal from AquaSurance. Ms. Bobbitt then stated that based on her phone conversation this evening with Director Marks, he had stated he had no objections to the Board proceeding with a decision regarding the insurance coverages. 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 and authorize execution of the AquaSurance insurance proposal.

MISCELLANEOUS MATTERS

The Board then discussed possible dates for holding a special meeting in October. Ms. Bobbitt stated that her office would call Directors Steffes and Marks to check on their availability for an October 3rd or October 10th special meeting.

Ms. Bobbitt reminded the Board that the next regular meeting was scheduled for Tuesday, October 17, 2006, at 6:00 p.m. There being no further business to come before the Board, the meeting was adjourned at 8:30 p.m.

PASSED, APPROVED AND ADOPTED this 17th day of October, 2006.


Secretary, Board of Directors

