

2006-16
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
October 17, 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, October 17, 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, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of the District; Ms. Pat Hall of Equi-Tax, Inc. ("Equi-Tax"), 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. and Ms. Dedra Ecklund of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Joe Almaguer and Ms. Karen Sears of Aqua Services, LP ("Aqua Services"), 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. John Kemp and Mr. Gary Palmer, residents of the District; Mr. Tom Rolen, P.E. of Turner Collie & Braden Inc., Engineer Manager for the North Harris County Regional Water Authority (the "NHCRWA"); Mr. Mike Harrington of American Enerpower, the energy broker for the District; Sergeant Dean Coleman of the Harris County Precinct 4 Constable's office; and Ms. Robin S. Bobbitt and Mr. Lewis S. Kasner, attorneys, and Ms. Brooke T. Dold, paralegal, 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.

PUBLIC COMMENT

The Board first recognized Mr. Kemp, who reported that following the recent heavy rainfall, there had been high water on Falvel Road near Schindewolf Elementary School, which caused traffic problems at the school. Mr. Kemp asked whom he should contact about the flooding problem. Director Steffes explained that the District is not responsible for storm drainage and recommended that Mr. Kemp contact Harris County (the "County") and the Harris County Flood Control District concerning the problem. Director Warren stated that he had driven around the District following the heavy rainfall, but found no major problems. Director Warren stated that the County needs to clean out the ditches and storm drainage culverts along FM 2920 and Kuykendahl Road. Director Steffes noted that Klein Collins Senior High School and Schindewolf Elementary School have drainage problems and encouraged Mr. Kemp to also contact Klein Independent School District ("Klein ISD") about the drainage problems. Ms. Bobbitt then suggested that the Board consider sending a public service notice to the residents of the District about not dumping debris down the storm sewer inlets.

Mr. Rolan then entered the meeting and Mr. Kemp exited the meeting at 6:15 p.m.

CONSENT AGENDA

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda.

Upon motion by Director Warren, seconded by Director Theiss, 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 September 19, 2006 and the minutes of the special meeting of August 1, 2006, as written; 2) authorize the advertising for bids, subject to Engineer's receipt, review and approval of projects plans and specifications for the following projects: a) the water and sanitary sewer line extensions to serve Klein ISD; b) Villages of Senterra Lakes, Section 2 clearing and grubbing; and c) Upper Seals Gully channel improvements (the portion located south of FM 2920); 3) review bid tabulations and award contract for the following project: a) Northcrest Village, Section 6 water, sewer and drainage facilities; 4) approve the following pay estimates: a) Pay Estimate No. 1 and Final in the amount of \$32,515.16 from M. Marlon Ivy & Associates, Inc. for the water line extension to serve the AutoZone project; b) Pay Estimate No. 2 in the amount of \$255,460.37 from Pace Services, LP for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 3; c) Pay Estimate No. 3 in the amount of \$25,013.37 from Triple B Services, L.L.P. for construction of the Northcrest Channel, Phase 1; d) Pay Estimate No. 1 in the amount of \$177,735.41 from B & D Construction Co., Inc. for construction of the box culvert and Trunkline Gas Company pipeline crossing to serve Northcrest Village, Section 6; and e) Pay Estimate No. 1 in the amount of \$57,329.10 from Bay Utilities, LLC for construction of the water, sewer and drainage facilities to serve Spring Terrace, Section 6; and 5) authorize the execution of easements necessary to serve various District developments.

REGULAR AGENDA

PUBLIC HEARING ON 2006 TAX RATE

Director Steffes then declared the public hearing open to discuss the District's proposed tax rate for 2006. Director Steffes recalled that at the September 19, 2006 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 2006 tax rate of \$0.75 per \$100 of assessed valuation, and to authorize Ms. Hall to publish notice of the proposed tax rate (the "Notice") 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 2006 tax rate. Director Steffes then declared the public hearing closed.

ORDER SETTING RATE AND LEVYING TAX FOR 2006

Next, Ms. Bobbitt presented for the Board's adoption and approval an Order Setting Rate and Levying Tax for 2006 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 2006 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, 2007, and that the operations/maintenance tax to be levied will also be for the District's fiscal year ending December 31, 2007.

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 2006, thereby levying a debt service tax rate of \$0.50 per \$100 of assessed valuation for the calendar year ending December 31, 2007 and an operations/maintenance tax rate of \$0.25 per \$100 of assessed valuation for the District's fiscal year ending December 31, 2007, for a total 2006 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 2006 tax rate has been adopted, an amendment to the District Information Form is 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 authorize the execution of the Amended District Information Form, 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.

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 98% of the District's 2005 taxes have been collected as of today's date.

Mr. Harrington then entered the meeting at 6:27 p.m.

Director Steffes then asked Ms. Hall how the District will be affected by the Harris County Appraisal District (the "HCAD") being late in certifying tax rolls in the County. Ms. Hall stated that the County will be late in mailing their tax statements due to HCAD not being able to produce reliable tax information for the taxing entities. Ms. Hall explained that under Texas law, the District's tax statements will need to be sent no later than January 10, 2007, or the delinquency date of February 1, 2006 must be delayed to the first day of the next month that will provide at least 21 days after the date tax statements are mailed.

Upon motion by Director Theiss, 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 (the "Delinquent Report"), a copy of which is attached hereto. Ms. Hall noted that following the September meeting, she had notified Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's Delinquent Tax Attorney, to investigate why item no. 1 under Section I was reflected as delinquent. Ms. Hall responded that the account was incorrectly reflected as delinquent. Director Schkade then stated that item no. 8 under Section I is Rigia's Pizza, and that such entity is still operating and open for business. Ms. Hall stated that she would contact the Delinquent Tax Attorney. Director Warren then asked several questions about the eight (8) bankruptcies listed under Section V of the Delinquent Report. No action was required on the Delinquent Report.

DISCUSS RENEWAL OF ELECTRIC SERVICE PROVIDER CONTRACT

Mr. Harrington then distributed copies of a comparison of the District's savings on electric power cost with Direct Energy versus Reliant Energy ("Reliant"), which reflected an annual savings of \$40,501.45 or 9.9%, a copy of which is attached hereto.

Ms. Hall exited the meeting at 6:42 p.m.

Mr. Harrington next explained that because there were no hurricanes and the winter was mild in 2006, energy costs are coming down and noted that it is a good time to enter into a long-term contract with an energy provider. Director Steffes asked whether new District facilities that are put on-line would be covered under a long-term energy contract or would the District need to enter into another energy contract for any new facilities. Mr. Harrington responded that the District would need to enter into a separate energy contract for any facilities that are added in the future. Mr. Harrington then explained the "blend and extend" concept that

would allow the District to blend the electric service rate paid on the existing facilities and extend the term of the contract out to five (5) years.

Ms. Jarmon then noted that the District had recently received three (3) small utility bills from Reliant that appeared to be final billings. Ms. Jarmon queried whether Reliant had erroneously disconnected power at those three (3) facilities and stated that she would look into such matter.

Mr. Conner then recommended that the Board enter into a three (3) to five (5) year energy service contract.

Director Warren then inquired if the energy providers listed on the handout issue financial statements. Mr. Harrington responded that the energy providers do issue financial statements, and noted that Con Ed, WPS and CNE are publicly traded companies, and that Direct Energy is a subsidiary of British Petroleum and Suez Energy is not a public company.

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 authorize Mr. Harrington to solicit proposals and submit a contract for a five (5) year contract with the entity with the lowest rate on Thursday, October 19, 2006. Director Steffes noted that Mr. Conner is authorized to enter into the contract.

Mr. Harrington thanked the Board and exited the meeting at 7:03 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, feasibility studies and/or easement acquisitions.

Director Marks then entered the meeting at 7:05 p.m.

Ms. Jarmon next reported that the District had received \$111,700 in tap fee revenue (one (1) commercial tap and six (6) residential taps) during the prior month. Ms. Jarmon also noted that check no. 9453 in the amount of \$4,802.87 is a reimbursement to Northcrest 2920, L.P. for their overpayment of inspection fees.

Upon motion by Director Marks, seconded by Director Theiss, 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.

REVIEW FEASIBILITY STUDY FOR 69-ACRE HOWARD LEDERER TRACT

Mr. Peterson reported that Mr. Lederer has not yet returned the Application for Service/Annexation or submitted his \$3,000 deposit fee and, therefore, no work has been done to prepare the feasibility study. Ms. Bobbitt noted that such matter will be deferred.

REVIEW AND DISCUSS JOINT COOPERATIVE PLAN AMONG NHCRWA, NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 30 ("NW 30") AND THE DISTRICT

Mr. Peterson then explained that the NHCRWA is proposing to provide water to NW 30 by pumping 300,000 gallons per day of water into the District's Water Plant No. 3, with water being passed through the District's water system and sold to NW 30 until 2010, at which time the District and NW 30 will be converted to surface water. Mr. Peterson noted that the District will essentially purchase the water from the NHCRWA at a rate of \$1.70 per 1,000 gallons, less a depreciated asset credit and in turn, the District will charge NW 30 \$1.70 per 1,000 gallons, plus a cost for pumping the water.

Mr. Peterson went on to explain that with the NHCRWA willing to install, at their cost, a dedicated supply line to Water Plant No. 3, it would provide the District with the opportunity to construct an elevated storage tank in a location that enables the District to enhance and optimize the District's water distribution system. Mr. Peterson further explained that the District has the opportunity to amend the District's Water Master Plan to include a 1.0 million gallon per day elevated storage tank ("EST") to be located in the area of FM 2920, Kuykendahl Road and Rhoads Road. Mr. Peterson then reviewed a pressure plain map of the District with the Board, a copy of which is attached hereto, reflecting how the EST would impact water pressure throughout the District's distribution system. Mr. Peterson noted that the EST would be for the exclusive use of the District and would also be fed through a dedicated line from the NHCRWA. Mr. Shackelford stated that any cost associated with moving water to NW 30 would be paid by NW 30. Director Marks then asked if any of the water coming from the NHCRWA would be from water wells with arsenic problems. Mr. Shackelford responded that to his knowledge, none of the wells providing water have arsenic problems, but noted that the water coming from the NHCRWA would be blended with the District's water. Mr. Conner explained that the District's obligations under the Joint Cooperative Plan would be to supply water to NW 30 for approximately 14 months until the NHCRWA is able to provide surface water in 2010. Director Warren then asked who will pay for the construction of the proposed EST. Mr. Conner responded that the EST would only benefit and be used by the District, and that the District will pay for the construction of the EST at an estimated cost of \$3 million. Mr. Shackelford stated that the proposed EST will also enable the District to reduce the size and scope of facilities proposed to be constructed at Water Plant No. 4 and, also, significantly reduce the District's operating costs for the water supply and distribution facilities. Mr. Shackelford reminded the Board that the TCEQ regulations require the District to have an EST, but that a waiver of such requirement had been obtained up to 4,468 connections. Mr. Conner further explained that the District will receive a non-depreciated asset credit from the NHCRWA for the EST. Mr. Conner reiterated that the EST would eliminate the District's need to drill a second deeper well in the Jasper aquifer at proposed Water Plant No. 4.

Director Marks then asked why the Board was just hearing about a proposed EST. Mr. Conner responded that the District had only recently learned of the proposed Joint Cooperative Plan and the NHCRWA's willingness to install the dedicated supply line, which is enabling the District to locate the EST in an ideal location that will maximize and enhance the District's water distribution system.

Sergeant Coleman then entered the meeting at 7:30 p.m.

Several Board members then asked why the consultants are now proposing an EST when historically, both the Board and the consultants have been against having to construct an EST. Mr. Conner stated that he has only recently been discussing this option with Jones & Carter, since the District was contacted about pumping water to NW 30. Mr. Conner reminded the Board that the District has been under a TCEQ waiver for several years concerning the installation of an EST. Mr. Conner noted that with the District's rapid growth and large number of connections, it is questionable whether the TCEQ will even grant another EST waiver.

Director Steffes stated that the Board will need to review a summary of costs for the proposed amendment to the District's Water Master Plan and review the calculations for the resulting depreciated asset credit to the District. Mr. Conner noted that he, the engineers and the NHCRWA were looking for a general consensus from the Board regarding the concept of the District pumping water to NW 30 under the proposed Joint Cooperative Plan. Director Warren then stated that he wanted to see a list of pros and cons for the EST. Director Steffes then suggested that the matter be further discussed at the special meeting of the Board scheduled for Tuesday, November 7, 2006.

DIRECTOR'S REPORT

Director Marks then distributed copies of his Director's Report, a copy of which is attached hereto. Director Marks reported that all of the District's facilities were in good shape and noted only a few minor items that need attention. Director Marks stated that he was shocked to see the cost of the replacement rollers on the access gate at the District's Sewage Treatment Plant. Director Marks then distributed photos of the Rhoads Landing detention pond, copies of which are attached hereto, following the recent heavy rainfall and noted that there was no water in the detention pond.

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. Ms. Dold noted that Director Warren is scheduled to conduct the facilities inspections for the months of November and December.

Mr. Rolan then exited the meeting at 8:00 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 reported that a letter of appreciation had been sent to Republic Waste Services ("Republic") regarding the good work being done by the garbage collection crews. Director Warren stated that he did not want a letter to go to the Republic management, but instead, wanted a letter sent to each member of the garbage collection crew. Director Warren also proposed that the members of the District's garbage collection crew be given gift certificates from the District. Ms. Bobbitt apologized for the misunderstanding concerning the appreciation letters and stated that she did not understand that Director Warren was asking for letters to be sent to the individual garbage collection crew members.

Director Warren then asked about the credit due from Republic to the District for the one (1) collection day that was missed in September due to the crew strikes. Ms. Jarmon reported that the District had received a credit from Republic for the missed collection day. Mr. Conner added that Republic is willing to bring a heavy trash receptacle to the District on a designated day, but that they are not permitted to receive hazardous waste materials. Director Schkade then asked if the District could schedule a hazardous waste pick-up day with the County. Ms. Bobbitt stated that the Mr. Conner could certainly look into a hazardous waste pick-up day and suggested that a spring clean-up event in March might be a good idea. Ms. Bobbitt noted that if the County did a hazardous waste pick-up in the District, the District would likely not be able to limit participation to only District residents.

Mr. Conner next reported that the County is in the process of preparing an Interlocal Agreement for Law Enforcement Services, and it is hoped that such agreement will be ready for the November meeting. Mr. Conner noted that the District did not need any new constables assigned to the District for the coming year. Director Marks then asked why the constables were not directing traffic at the schools during heavy traffic periods. Director Warren pointed out that Klein ISD has its own police force who should be working at the schools. Director Marks stated that he had a camera in front of his house for 30 days, and that the only law enforcement cars that patrolled his street during this time period were Klein ISD cars. Mr. Conner stated that he has experienced tremendous cooperation from the constables, especially with their recent focus on ticketing people for dumping debris at the Albertson's tract. Mr. Conner requested that the Directors contact him if they have complaints about the constable service.

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 General Manager's Report.

Director Marks then commented on Mr. Conner turning in an expense receipt that was over 90 days old, contrary to the District's policy concerning payment of invoices and expenses.

Mr. Conner 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. Sergeant Coleman then reviewed the Constable's Report.

Sergeant Coleman then exited the meeting at 8:50 p.m.

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 reported that the District's four (4) month water accountability ratio was 90.2%, and that there were 10 sludge hauls during the month. Ms. Sears added that there are currently 4,238 connections in the District.

Director Marks then asked Ms. Sears to check two (2) invoices included on the Aqua Services bill. Ms. Sears noted that a message regarding the increased NHCRWA pumpage fee will be on the next water/sewer service bills. The Board concurred that a message about the increased NHCRWA pumpage fee should also be posted on the website.

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 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

Ms. Bobbitt stated that she would contact Ms. Barbara Payne about coming to the Board's November meeting to review and discuss the website improvements.

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 next agenda item.

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.

REVIEW SUMMARY OF COSTS FOR THE PROPOSED NINTH (9th) BOND APPLICATION REPORT

Mr. Peterson then distributed copies of the Summary of Costs for the District's proposed ninth (9th) bond application report, a copy of which is attached hereto. Ms. Bobbitt stated that the matter would be further discussed at the November 7th special meeting.

ATTORNEY'S REPORT

Ms. Bobbitt noted that agenda item nos. 11, 14, 15 and 16 would be deferred until the special or regular meeting in November.

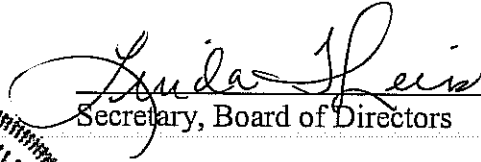
MISCELLANEOUS MATTERS

Ms. Bobbitt stated that her office would proceed with scheduling a special meeting on Tuesday, November 7, 2006, at 7:00 p.m., at the offices of Jones & Carter in The Woodlands.

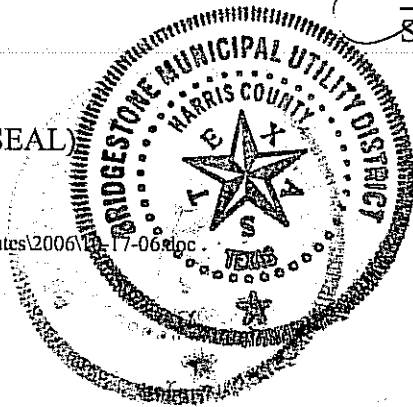
Ms. Bobbitt reminded the Board that the next regular meeting was scheduled for Tuesday, November 21, 2006, at 6:00 p.m.

There being no further business to come before the Board, the meeting was adjourned at 9:05 p.m.

PASSED, APPROVED AND ADOPTED this 21st day of November, 2006.


Secretary, Board of Directors

(DISTRICT SEAL)



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