

reported that the minutes of the special meetings of October 3, 2006 and November 7, 2006 had not yet been finalized. Mr. Peterson then reported that bids were received on November 17, 2006 for the water and sewer line extensions along FM 2920 to serve the new Krimmel Intermediate School, but the low bidder, Rebel Dozer Service & Construction, Ltd. ("Rebel"), made an error in the base bid amount and has submitted a letter requesting to withdraw the bid. Mr. Peterson added that the Board has the option of retaining Rebel's \$4,000 bid bond. Mr. Peterson stated that Jones & Carter is recommending that the contract be awarded to TBA Construction, LLC ("TBA"), based on their second lowest bid in the amount of \$264,410.00.

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 October 17, 2006, as written; 2) review bid tabulations and award contract for the following projects: a) water and sewer line extensions to serve Krimmel Intermediate School to TBA in the amount of \$264,410.00 and return Rebel's bid bond; and b) water, sewer and drainage facilities to serve Gosling Pines, Section 2 to C. E. Barker, Ltd. in the amount of \$1,642,707.37; 3) approve the following change order and pay estimates: a) Change Order No. 1 in the amount of \$35,926.00 for construction of a pavestone retaining wall and Pay Estimate No. 2 Revised in the amount of \$217,470.69 from Pace Services, LP ("Pace") in connection with the construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 3; b) Pay Estimate No. 2 in the amount of \$5,612.70 from B & D Construction Company, Inc. for construction of the box culvert for the crossing of the Trunkline Gas Pipeline to serve Northcrest Village, Section 6; c) Pay Estimate No. 6 and Final in the amount of \$31,188.31 from Pace for construction of water, sewer and drainage facilities to serve Senterra Lakes, Section 1; d) Pay Estimate No. 5 and Final in the amount of \$12,128.28 from Bay Utilities, L.L.C. for construction of water, sewer and drainage facilities to serve Villages of Bridgestone; and e) Pay Estimate No. 4 in the amount of \$181,475.08 from Kenneth Lamb Construction Co., Ltd. for construction of the water, sewer and drainage facilities to serve Villages of Senterra Lakes, Section 1; and 5) authorize the execution of easements necessary to serve various District developments.

Ms. Sears and Mr. Almaguer then entered the meeting at 6:07 p.m.

REGULAR AGENDA

AUTHORIZE FEASIBILITY STUDY FOR 2.9-ACRE TRACT OF LAND

The Board then recognized Mr. Windsor, who submitted his application for service/annexation of a 2.9-acre tract of land and a \$3,000 deposit to the Board. Mr. Peterson reported that he had met with Mr. Windsor approximately one (1) month ago to discuss the proposed annexation of and service to Mr. Windsor's 2.9-acre tract located on FM 2920 between the Sherwin Williams store and the Guthrie Building. 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 Jones & Carter to prepare a feasibility study on the 2.9-acre tract of land.

Mr. Windsor thanked the Board and exited the meeting at 6:12 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 October, a copy of which is attached hereto. Ms. Hall reported that 98.5% of the District's 2005 taxes have been collected as of today's date.

Mr. Barfoot then entered the meeting at 6:14 p.m.

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 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. No action was required on the Delinquent Report.

ENGAGEMENT OF AUDITOR

The Board then recognized Mr. Barfoot, who presented an engagement letter to prepare the District's audit report for the fiscal year ending December 31, 2006, a copy of which is attached hereto. Mr. Barfoot stated that McCall Gibson estimates a cost between \$14,000 and \$16,000 to prepare the District's audit report. 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 engage McCall Gibson to prepare the District's audit report for the fiscal year ending December 31, 2006 and authorize execution of the engagement letter.

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 next reported that the District had received \$52,200 in tap fee revenues during the prior month. Ms. Jarmon also noted that she is adding check no. 9595 to the checks being presented for payment in the amount of \$487.50 to Payne Communications for improvements to the District's website, which will be reviewed later in the meeting.

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

Ms. Jarmon next reported that a copy of the proposed budget for the fiscal year ending December 31, 2007 is attached to the Bookkeeper's Report for review and comment by the Board and the consultants. Ms. Jarmon asked that the Board and consultants review the proposed

budget and submit comments to her prior to the December meeting when the budget would be adopted.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of October 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 90.1%, and that there were 14 sludge hauls during the month. Ms. Sears added that there are currently 4,307 connections in the District.

Ms. Hall and Mr. Barfoot then exited the meeting at 6:35 p.m.

The Board concurred that a message about the recent increase in the North Harris County Regional Water Authority (the "NHCRWA") pumpage fee should also be posted on the website.

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 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'S REPORT

Director Warren stated that he did not have a written Director's Report for his inspection of the District's facilities on November 17, 2006. Director Warren reported that all of the District's facilities were in the best shape that he had ever seen. Director Warren reported that there is still a problem with ants at some plant sites. Upon motion by Director Schkade, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Report.

AUTHORIZE ENGINEERS AND OPERATORS TO INCLUDE CONFLICTS OF INTEREST QUESTIONNAIRE WITH ALL BID AND REQUEST FOR PROPOSAL PACKETS

Ms. Bobbitt next distributed a memorandum from JRPB regarding the 79th Legislature's conflicts of interest disclosure requirements for persons seeking to contract with a governmental entity, a copy of which is attached hereto. Ms. Bobbitt reminded all consultants in attendance that all persons or companies seeking to contract with a local governmental entity, including all District consultants, must complete a conflict of interest questionnaire (the "Questionnaire"). Ms. Bobbitt stated that in light of the recent Attorney General opinion on the issue, JRPB is recommending that for all contracts entered into after the date of tonight's meeting, the District should require all persons seeking to contract with the District to complete the Questionnaire before the District awards the contract. Ms. Bobbitt then added that the memorandum explains this procedure and provides information that can be distributed when Jones & Carter or Aqua Services solicits contracts on behalf of the District. Ms. Bobbitt next explained that all of the District's consultants and other contractors working on District projects or proposing to perform District work must also update their respective Questionnaires by September 1st of each year as long as they continue to contract with the District.

Ms. Bobbitt noted that the District will need to request a copy of the Conflicts Disclosure from the garbage collection service company when the District enters into a new service contract.

REVIEW AND APPROVE AGREEMENTS FOR FINANCING OF FACILITIES

Ms. Bobbitt next reported that drafts of the proposed Agreements for Financing of Facilities (collectively, the "Agreements") for three (3) commercial projects have been prepared as follows: 1) an agreement with A-K-S 35 2920-Southeast, L.P. for the 39.9866-acre proposed Lowes development; 2) an agreement with Spring Cypress@K, LP for the 10.7708-acre commercial development; and 3) an agreement with Realtex Ventures, LP for the 9.155-acre commercial development. Ms. Bobbitt explained that the Agreements still need to be reviewed by Jones & Carter and asked the Board to authorize execution of the three (3) Agreements upon final review and comment by Mr. Conner, Jones & Carter and JRPB. 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 and authorize execution of the three (3) Agreements, pending final review and comment by Mr. Conner, Jones & Carter and JRPB. Copies of the draft Agreements are attached hereto.

UPDATE ON WEBSITE IMPROVEMENTS

Ms. Bobbitt stated that she has spoken with Ms. Barbara Payne about preparing a preview of the website improvements for the Board's review. Ms. Dold then distributed copies of the proposed new home page for the District and the new Bridgestone Kids website page for the Board's review, copies of which are attached hereto. Ms. Bobbitt asked the Board to go online and review the proposed improvements and report any comments/concerns to Director Theiss and/or Ms. Dold. The Board concurred that they would wait until the December meeting to approve the proposed website improvements.

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 Republic Waste Services, the current provider of garbage collection services for the District, has submitted a letter stating that they want to renegotiate their rates for garbage collection and recycling services for the upcoming year and noting that their current contract will expire on December 31, 2006. Mr. Conner stated that he would work with Ms. Bobbitt's office to prepare a form of a Request for Proposal to obtain proposals for garbage collection services.

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

Mr. Conner next reported that he had obtained a proposal from Mr. Lee Conatser of L & M Environmental Services, Inc. ("L & M") of \$308,000 for the purchase and installation of 2,500 Automated Meter Reading ("AMR") meters for installation at District residences over the course of a one (1) year period. Mr. Conner stated that the equipment must be installed by properly trained personnel and noted that eventually, Aqua Services will train an individual to do

the meter installations for the District. Director Marks then asked Mr. Conner if other bids had been obtained. Mr. Conner responded that L & M is one of the few companies specializing in this type of work, and that after Mr. Conaster's attendance at the Board's special meeting on November 14, 2006, it was not his understanding that the Board wanted other bids to be obtained.

Lieutenant Blankenship and Deputy Spillman then entered the meeting at 7:20 p.m.

Ms. Bobbitt stated that she was not concerned about the fact there is only one (1) bid from L & M for the AMR meter installation work due to the specialized nature of the proposed work and the limited number of contractors qualified to do such work. Director Steffes suggested that Mr. Conner obtain a proposal from Aqua Services for the installation of the ARM meter boxes.

Mr. Conner then reported that the Interlocal Agreement for Law Enforcement Services between Harris County and the District (the "Interlocal Agreement") has been received and is ready for the Board's execution at tonight's meeting.

Ms. Jarmon then exited the meeting at 7:25 p.m.

Mr. Conner next reported that he has received the sanitary sewer manhole survey report from Superior Waterworks LLC ("Superior") regarding the survey and inspection of the 225 manholes located in the original Bridgestone subdivision located east of Kuykendahl Road and south of FM 2920. Mr. Conner reported that 117 manholes were located and inspected. Mr. Conner noted that the remaining 108 manholes were covered up by landscaping and pavement. Mr. Conner then recommended that Superior be authorized to begin inspection of the manholes located in Bridgestone West subdivision. Mr. Conner also explained that the next step in the process is to televise the sanitary sewer lines in the older sections of the District to determine what line repairs will be necessary.

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, authorize Mr. Conner to obtain bids for televising the District's sanitary sewer lines and authorize Superior to begin inspection of the manholes located in the Bridgestone West subdivision.

The Board then requested that Mr. Conner forward the manhole inspection report to Jones & Carter to be integrated into the District's GIS program.

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.

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.

APPROVE JOINT COOPERATIVE PLAN AMONG NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY, NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 30 AND THE DISTRICT (THE "PLAN")

Mr. Peterson then distributed copies of the Summary of Costs for Re-Pumping Water to Northwest Harris County Municipal Utility District No. 30 ("NW 30"), a copy of which is attached hereto. Mr. Peterson explained that, as previously reviewed and discussed with the Board, under the terms of the proposed Plan, the District will purchase up to 600,000 gallons per day of water from the NHCRWA to be delivered into the District's existing ground storage tank at Water Plant No. 3 and then re-pump the water to NW 30 at a cost of \$1.04 per 1,000 gallons of water purchased from the NHCRWA and sell such water to NW 30 at the cost purchased from the NHCRWA, plus the proposed District's administrative/service cost of \$0.36 per 1,000 gallons. Director Marks inquired if the District has liability for the quality of water delivered to NW 30. Ms. Bobbitt responded that the proposed agreement between the District and NW 30 will include a clause that the quality of the water delivered to NW 30 meets the requirements of the Texas Commission on Environmental Quality. Director Warren asked Jones & Carter to find out how much storage capacity is available in NW 30's facilities and what their average water usage is. Ms. Bobbitt noted that the District's provision of water to NW 30 will continue until surface water is delivered by the NHCRWA to NW 30, which is estimated to be the last quarter of 2009.

Further discussion of the proposed Plan ensued. 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 Plan among NHCRWA, NW 30 and the District and authorize the District's attorneys, General Manager and engineers to move forward with the necessary work to implement the Plan.

Director Marks then asked Jones & Carter to calculate the District's cost to produce one (1) gallon of water. Mr. Shackelford stated that he would calculate such number for review and discussion by the Board at the December meeting.

AMENDMENT TO MASTER WATER PLAN

Mr. Peterson then distributed a Summary of Water System Options (the "Summary") for the Board's review, a copy of which is attached hereto. Mr. Peterson explained that the Summary represents what he had presented and discussed with the Board at the special November 14th meeting. Mr. Peterson reiterated that the proposed amendment to the District's existing Water Master Plan has nothing to do with the proposed agreement with NW 30 and would in no way benefit the NHCRWA. Mr. Peterson then reviewed the three (3) options reflected on the Summary, including: 1) Option No. 1 that calls for a large Water Plant No. 4, with two (2) water wells and improvements to Water Plant No. 3 at an estimated total cost of \$6,994,000; 2) Option No 2 that calls for a large Water Plant No. 4, with surface water also being obtained from the NHCRWA at an estimated total cost of \$6,975,000; and 3) Option No. 3 that calls for a smaller Water Plant No. 4 and an elevated storage tank ("EST") at an estimated total cost of \$5,864,000. Mr. Conner noted that it is better to have two (2) 316,000-gallon ground storage tanks, if Option No. 3 is selected. Director Theiss then asked if having two (2) ground storage tanks would mean more maintenance costs. Mr. Peterson responded that two (2) ground

storage tanks would not increase maintenance costs since the tanks would be glass-lined and, therefore, would not have to be re-coated. Director Warren then asked what is the largest ground storage tank that can be installed at Water Plant No. 3. Mr. Peterson responded a 400,000-gallon tank could be installed at the Water Plant No. 3 site, but that a larger tank would not help if Option No. 3 is selected. Director Warren then noted that at the special meeting held on November 14, 2006, he had asked that Jones & Carter calculate the maintenance costs of an EST over the next 30 years and added that he would now like Jones & Carter to also calculate all of the anticipated costs to be incurred over the next 30 years if Option No. 3 is selected. Director Marks noted that the Board had previously been told it would cost \$550,000 to \$750,000 to repaint an EST. Director Steffes asked if the re-coating cost had been factored into Option No. 3, and Mr. Peterson stated that such costs had been included.

A discussion then ensued regarding the non-depreciated asset credits anticipated to be received by the District from the NHCRWA prior to and after the provision of surface water in 2010, as reflected in the Summary. The Board then determined that further discussion and action on the proposed amendment to the District's Water Master Plan would be deferred until the December meeting, once all of the requested cost information is available.

Mr. Peterson then provided the Board members information regarding their individual GIS access codes.

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 Engineer's Report.

ATTORNEY'S REPORT

Ms. Bobbitt reported that she had reviewed the proposed Interlocal Agreement prior to the meeting and found no problems with the Interlocal Agreement. Ms. Bobbitt noted that the Interlocal Agreement called for the same level of service as last year, with a five (5%) increase in cost, resulting in a total annual cost of \$390,712 or a monthly cost of \$32,559. Ms. Bobbitt then requested that Jones & Carter prepare an exhibit for the Interlocal Agreement that reflects all of the subdivisions in the District that are served by the Interlocal Agreement. 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 and authorize execution of the Interlocal Agreement, a copy of which is attached hereto.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S REPORT

Lieutenant Blankenship then reviewed the Constable's Report with the District.

MISCELLANEOUS MATTERS

Ms. Bobbitt reminded the Board that the next regular meeting is scheduled for Tuesday, December 19, 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 19th day of December, 2006.


Secretary, Board of Directors

(DISTRICT SEAL)

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