

2007-2
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
January 23, 2007

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, January 23, 2007, 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 Schkade, thus constituting a quorum. Director Schkade monitored the meeting by conference call. Also attending the meeting were: Mr. Jimmie Schindewolf, General Manager of the North Harris County Regional Water Authority (the "NHCRWA"); Mr. Tom Rolan, P.E. of TCB INC., Program Manager for the NHCRWA; Mr. Jerrell Wolff of Residential Recycling of Texas ("Residential Recycling"), recycling service contractor for the District; Mr. Gene Conner, General Manager for the District; Ms. Pat Hall of Equi-Tax, Inc., 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. Karen Sears and Mr. Joe Almaguer of Aqua Services, LP, operators for the District; Lieutenant David Blankenship and Corporal Matthew Walker of the Harris County Precinct Four Constable's office; 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, and Villages of Senterra Lakes subdivisions within the District and the proposed Fanta tract; Ms. Betty Busch, a resident of the District; and Ms. Robin S. Bobbitt and Mr. Lewis S. Kasner of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the District.

It was then noted that due to poor weather conditions, the regular meeting scheduled for Tuesday, January 16th, had to be rescheduled for tonight.

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 Ms. Busch, who stated she was in attendance at the meeting to inquire about the District's recycling program. Ms. Busch stated that she was an avid advocate of recycling and offered to help promote the District's recycling program. Mr. Wolff reported that his recycling crews collected over 10,000 pounds of recycling materials yesterday in the District. Mr. Wolff added that there is a very high rate of participation by the residents in the District's recycling program. Mr. Wolff further explained that Republic Waste Services of Texas, Ltd. ("Republic"), the District's previous recycling service contractor, does not want Residential Recycling crews picking up or emptying the Republic recycling bins and, therefore, any recyclables that are put out by residents in a Republic recycling bin will not be collected by Residential Recycling. Director Steffes asked Mr. Conner to contact Mr. Johnny Smith of Republic and make arrangements for Republic to pick up the remaining Republic recycling bins. The Board then suggested that information pertaining to recycling services being provided by Residential Recycling be posted on the District's website. Ms. Busch asked if she could post signs in the District about participating in the District's recycling program and asked about including an article in the Bugle about the recycling program. Director Warren noted that the information recently printed in the Bugle regarding the recycling program is not correct, and asked Ms. Busch to attend the Bridgestone Homeowners Association meeting on Wednesday, February 21, 2007, to help promote the District's recycling program.

Ms. Busch thanked the Board and exited the meeting at 6:22 p.m.

CONSENT AGENDA

Ms. Bobbitt then explained to the Board that, pursuant to the provisions of the Texas Open Meetings Act which prohibits the conduct of meetings by telephonic conference call in most circumstances, Director Schkade is unable to participate in any vote of the Board or considered present at the meeting for the purposes of maintaining a quorum. Ms. Bobbitt next clarified that Director Schkade is able to monitor the meeting on a conference call and can ask questions regarding the business of the District, but cannot participate in any vote that occurs.

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. Ms. Bobbitt stated that she is waiting for comments from Jones & Carter and Mr. Conner on the minutes of the special meeting of November 7, 2006 and requested that approval of such minutes be deferred. Mr. Peterson noted that five (5) bids had been received for the Ditch "A" and Ditch "B" improvement project earlier today, and that the lowest qualified bidder on such project was Lecon, Inc. ("Lecon") based on their bid of \$275,022.00. Mr. Peterson recommended award of the construction contract to Lecon. A copy of the bid tabulation is attached hereto.

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 following Consent Agenda items: 1) approve the minutes of the regular meeting of December 19, 2006 and the special meeting of October 3, 2006, as written; 2) approve the following pay estimates and change order: a) Pay Estimate No. 3 in the amount of \$36,572.40 from Pace Services, LP ("Pace") for construction of water sewer and drainage facilities to serve Bridgestone Lakes, Section 3; b) Pay Estimate No. 2 in the amount of \$77,634.00 from Jerdon Enterprises, L.P. for construction of the offsite utilities to serve Children's Courtyard; c) Pay Estimate No. 1 and Final in the amount of \$29,142.40 from Jess & James Concrete Placement, Inc. for clearing and grubbing of Gosling Pines, Section 2; d) Pay Estimate No. 1 in the amount of \$99,406.80 from Triple B Services, L.L.P. for Northcrest Channel, Phase 1; e) Pay Estimate No. 6 in the amount of \$42,115.11 from Pace for construction of water, sewer and drainage facilities to serve Senterra Lakes, Section 1; f) Pay Estimate No. 3 in the amount of \$16,200.00 from Bay Utilities, LLC ("Bay Utilities") for construction of water, sewer and drainage facilities to serve Senterra Lakes, Section 2; g) Pay Estimate No. 2 in the amount of \$143,276.28 from Big State Excavation, Inc. for construction of water, sewer and drainage facilities to serve Springbrook, Section 4; h) Pay Estimate No. 3 and Final in the amount of \$16,216.13 from Bay Utilities for construction of water, sewer and drainage facilities to serve Springbrook, Section 6; i) Pay Estimate No. 1 in the amount of \$95,499.15 from C. E. Barker, Inc. for construction of water, sewer and drainage facilities to serve Springbrook, Section 7; and j) Pay Estimate No. 5 and Final in the amount of \$40,505.16 from Bay Utilities for construction of water, sewer and drainage facilities to serve Spring Terrace, Section 3; and 3) authorize the execution of easements necessary to serve various District developments.

REGULAR AGENDA

AUTHORIZE FEASIBILITY STUDY FOR SERVICE TO 26.9-ACRE TRACT OF LAND LOCATED OUTSIDE THE BOUNDARIES OF THE DISTRICT

Mr. Peterson first reported that Mr. David McCampbell has contracted with Mr. Howard Lederer to purchase 16 acres out of Mr. Lederer's 69-acre tract of land and will develop it, along with a 10.9-acre tract of land Mr. McCampbell previously acquired (the 26.9-acre and 10.9-acre tracts collectively referred to as the "Tract") as an condominium/commercial development east of the intersection of the proposed Gosling Road and FM 2920. Mr. Peterson went on to explain that Mr. McCampbell is seeking annexation of and utility service for the Tract. Mr. Peterson added that Mr. McCampbell has submitted a service/annexation application and a \$3,000.00 deposit. Mr. Peterson noted that upon receipt of the deposit, he had gone forward with preparing the feasibility study for the Board's review at tonight's meeting, a copy of which is attached hereto.

Mr. Peterson went on to explain that the estimated water capacity requirement for the Tract is 66,000 gallons per day ("gpd") average daily flow. Mr. Peterson stated that the northern portion of the Tract can utilize an existing 12-inch waterline along the south right-of-way ("ROW") of FM 2920, and that the southern portion of the Tract will receive water by extending a 12-inch waterline along Kuykendahl Road approximately 1,300 feet along the ROW alignment of the future extension of Gosling Road. Mr. Peterson added that the cost of extending the waterline will be the responsibility of the developer and is a reimbursable expense.

Mr. Peterson next explained that the estimated sanitary sewer capacity for the Tract is 53,000 gpd based on 2,500 gpd per commercial and 2,000 gpd per office condominium unit. Mr. Peterson noted that a 12-inch sanitary sewer line would need to be extended from Lift Station No. 5 south along Kuykendahl Road to the future extension of Gosling Road, turn north along the eastern ROW of future Gosling Road and continue easterly along FM 2920 to the eastern boundary of the Tract. Mr. Peterson added that the sanitary sewer line extension would be approximately 4,370 feet, and the cost will be the responsibility of the developer and is eligible for reimbursement. Mr. Peterson further noted that the developer of the Tract would share the cost for the sewer line extension with the developer of the 10.56-acre Adkisson tract that was annexed into the District on February 21, 2006.

Mr. Wolff then exited the meeting at 6:30 p.m.

Mr. Peterson then noted that it would be the developer's responsibility to determine the drainage outfall and any detention requirements for the Tract.

In summary, Mr. Peterson stated that a bond requirement of approximately \$824,000 would be required to finance 100% of the eligible utility costs for the Tract. Mr. Peterson added that the financial analysis shows that the development would add an estimated \$23.6 million in assessed valuation to the District.

Mr. Peterson then recommended that the Board approve the feasibility study and proceed with the annexation of the 26.9-acre tract of land into the District. Director Warren asked that action on this matter be deferred until Director Marks arrives at the meeting. Mr. Peterson noted that Mr. Lederer's feasibility may need to be revised to reflect the sale of his 16 acres to Mr. McCampbell.

REVIEW AND APPROVE AGREEMENT FOR FINANCING OF FACILITIES AND ANNEXATION AND SERVICE AGREEMENT FOR EAGLE WATER MANAGEMENT, INC. ("EAGLE WATER")

Ms. Bobbitt then reported that Mr. Tracy Reilly, the owner of Eagle Water, has requested annexation of his 3.91-acre tract into the District. Ms. Bobbitt reminded the Board that the District previously acquired a waterline easement from Mr. Reilly in connection with installing water service to the Senterra Lakes development, at which time the District agreed to annex Mr. Reilly's land into the District at no cost in exchange for the waterline easement. Ms. Bobbitt noted that the annexation documents have been submitted to Mr. Reilly for his execution. Ms. Bobbitt then reported that the District will enter into an Agreement for Financing of Facilities to serve the 3.91-acre tract, along with an Annexation and Service Agreement with Mr. Reilly. 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 and authorize the execution of the two (2) agreements, copies of which can be found in the District's files.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of December, a copy of which is attached hereto. Ms. Hall reported that 11.8% of the District's 2006 taxes have been collected to date. Ms. Hall also reported that the Boswell

account and several other accounts have been put back on the 2006 tax roll. Ms. Hall stated that she would follow-up with the Harris County Appraisal District to try to get the tax rolls corrected.

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. Director Warren asked Ms. Hall about the status of May May Enterprises, Inc. dba Rigia's Pizza delinquent account under Section I of the Report. Ms. Hall reported that the Delinquent Tax Attorney is seeking an additional writ of execution on that account since the Board had reported that the business was still operating. No action was required on the Delinquent 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 \$44,370.00 in tap fee revenues during the prior month. Ms. Jarmon noted that the checks being presented for payment at tonight's meeting included a payment of \$24,450.00 for the new Residential Recycling recycling bins.

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.

DIRECTOR'S REPORT

Director Schkade then presented the Director's Report for his inspection of the District's facilities on January 6, 2007, a copy of which is attached hereto. 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 Director's Report.

Ms. Hall then exited the meeting at 6:47 p.m.

PUBLIC HEARING REGARDING STRATEGIC PARTNERSHIP AGREEMENT (THE "SPA") WITH THE CITY OF HOUSTON (THE "CITY")

Director Steffes then called the public hearing for the proposed SPA with the City. It was noted that there were no members of the public in attendance and no public comments given for or against the proposed SPA. The public hearing was then closed.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of December 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 91.4%, and that there were 16 sludge hauls during the month. Ms. Sears added that there are currently 4,399 connections in the District. Director Warren then noted that the Operator's Report does not reflect the correct information regarding the \$0.84/1,000 gallons NHCRWA pumpage fee. Ms. Sears stated she would review such matter.

Mr. Almaguer then reported that recently, a bird had created a nest in the transformer at the Sewage Treatment Plant (the "STP"), and that the nest had caught on fire and shorted out the power to the STP. Mr. Almaguer went on to report that the STP auxiliary generator was used until an electrician was able to repair the damage and restore electrical power at the STP. Mr. Almaguer then noted that the sludge hauls are a bit behind schedule due to the recent wet weather. Mr. Almaguer also reported that the amount of solids in the STP has increased with the continuing increase in customer connections.

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 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.

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 the new court date for the Albertson's lawsuit has been scheduled for the end of January.

Mr. Conner then distributed a copy of the Consultant and Service Contracts list for the Board's review, a copy of which is attached hereto. Ms. Bobbitt noted that several changes needed to be made to the information reflected in the "Term" column.

Ms. Jarmon then exited the meeting at 7:05 p.m.

Mr. Conner next reported that the Harris County Flood Control District (the "HCFCD") has approved the proposed agreement between the District and HCFCD regarding the District's proposed hike and bike trails, and noted that the first phase of the hike and bike trails will be developed in connection with the Fanta Tract.

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 General Manager's Report.

ATTORNEY'S REPORT

Mr. Kasner then gave a report on the status of the SPA. Mr. Kasner stated that the City is unwilling to negotiate the fireworks ban requirement unless a permanent structure exists within the proposed SPA boundaries and, additionally, Harris County (the "County") has indicated that they intend to initiate a complete fireworks ban in the County in the near future. Director Warren commented that in light of the fireworks ban requirement, he is not certain he wants to approve an SPA, and stated he did not like more government intervention with the activities of citizens. Ms. Bobbitt explained that the major benefits the proposed SPA offers to the District are the guarantee that the District will not be annexed by the City for at least 30 years and the receipt of the sales tax revenue from the commercial entities in the District, estimated to be in excess of \$50,000.00 per month.

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 Attorney's Report.

ENGINEER'S REPORT

Mr. Peterson then reviewed the Engineer's Report with the Board, a copy of which is attached hereto.

Concerning the Upper Seals Gully Project, Mr. Peterson reported that the drawings for the portion of the ditch south of FM 2920 are nearly complete and will be submitted for review within the next two (2) weeks. Mr. Peterson added that Mr. Lederer is willing to grant the District a drainage easement that is needed to tie the southern ditch into Seals Gully. Mr. Peterson also reported that Jones & Carter has sent a formal request letter to the County requesting the County's participation in the Upper Seals Gully Project, but that a response from the County has not yet been received.

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.

Director Marks then entered the meeting at 7:30 p.m.

GARBAGE SERVICE MATTER

Director Warren then stated that he wants the minutes to reflect that on Thursday, January 4, 2007, Republic started garbage collection work late in the District and ended late, which is a violation of the terms of their agreement with the District. Mr. Conner reported that Mr. Smith of Republic had contacted him earlier that day to let him know that the collection crews were running late.

REVIEW AND DISCUSS PROPOSED WATER SUPPLY AGREEMENT WITH NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 30 ("NW 30")

Ms. Bobbitt next briefly reviewed the terms of the proposed Water Supply Agreement with NW 30, a copy of which is attached hereto. Ms. Bobbitt then advised that action on this item should be deferred until the Board discusses item 11 on the Regular Agenda regarding the Joint Cooperative Plan by and among the District, NHCRWA and NW 30 (the "Joint Cooperation Plan").

REVIEW AND DISCUSS THE JOINT COOPERATIVE PLAN

Director Steffes stated that because of all the recent confusion and rash of emails and letters concerning the Joint Cooperation Plan, he had invited Mr. Schindewolf and Mr. Rolan to attend tonight's meeting at 8:00 p.m. and stated that discussion of the Joint Cooperative Plan would be deferred until their arrival at the meeting.

Lieutenant Blankenship then entered the meeting at 7:30 p.m.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S REPORT

Lieutenant Blankenship then reviewed the Constable's Report for the month of December, a copy of which was previously distributed to the Board and is attached hereto.

Deputy Walker then entered the meeting at 7:42 p.m.

Director Marks then reported that he has observed two (2) to three (3) deputies hanging out every night from around 7:00 p.m. to 9:00 or 10:00 p.m. at the Shell station at the corner of Rhodes Road and FM 2920. Lieutenant Blankenship stated that he would look into the matter. Director Marks asked Lieutenant Blankenship to give more details regarding the incident at the Wal-Mart Center on Saturday night. Lieutenant Blankenship then went on to report on security problems in the District, including the Wal-Mart incident.

Lieutenant Blankenship and Deputy Walker then exited the meeting and Mr. Schindewolf and Mr. Rolan entered the meeting at 7:55 p.m.

REVIEW AND DISCUSS JOINT COOPERATIVE PLAN, GROUNDWATER TRANSFER AGREEMENT – BUYER AND AMENDMENT TO THE DISTRICT'S WATER MASTER PLAN

Director Warren first commented that he was not feeling well at the District's December 21, 2006 meeting and had left the meeting before the Board discussed and approved the Joint Cooperative Plan, the Groundwater Transfer Agreement – Buyer and the amendment to the District's Water Master Plan. Director Warren stated that he would have voted against approval of these items and noted that he had not had enough time to review and research these issues. Director Warren reported that he had contacted Mr. Bill Papp of Harris County Water Control and Improvement District No. 132 to discuss that district's experience with elevated storage tanks ("EST"), and that Mr. Papp indicated that their EST is a maintenance nightmare. Director Steffes then pointed out that as previously explained on several occasions to the Board,

the proposed EST has nothing to do with the District's participation in the Joint Cooperative Plan or the District's approval of the Groundwater Transfer Agreement – Buyer. Mr. Peterson noted that the Board had reviewed the preliminary cost estimates for Options I, II and III (collectively, the "Options") regarding proposed Water Plant No. 4 at the December 21st meeting and had approved proceeding with Option III that calls for a smaller Water Plant No. 4 with no water wells, an additional booster pump at Water Plant No. 3 and an EST at a total estimated cost of \$5,984,000.00.

Director Marks then asked why, if the NHCRWA is not going to benefit from the EST, did the Joint Cooperative Plan adopted in November reflect that the District is obligated to construct the EST. Mr. Schindewolf first responded that the NHCRWA does not care if the District constructs an EST and is only concerned with ensuring that appropriate infrastructure exists to accept surface water from the NHCRWA when it is provided in January, 2010. Mr. Schindewolf further explained that the NHCRWA was informed by the District's engineers and General Manager that an EST was being proposed, and that the District wanted to receive water for the EST from the NHCRWA. Mr. Schindewolf went on to explain that if the NHCRWA constructs the dedicated transmission line that will provide water to the District's proposed EST, the District would need adequate storage capacity and distribution ability and, therefore, the NHCRWA wants to make sure whatever storage system the District utilizes is constructed.

Director Marks then commented about how the air gap connection from the NHCRWA's dedicated transmission line into the District's Water Plant No. 3 will mean that the District must pump water up into the EST and result in additional costs to the District. Mr. Schindewolf then responded that Director Marks is mixing up long-term needs/issues and short-term needs/issues and asked Mr. Rolan to provide further explanation. Mr. Rolan stated that the Joint Cooperative Plan sets out the responsibilities and obligations of all parties until such a time that the NHCRWA can provide water directly to NW 30 through the surface water transmission line the NHCRWA will be constructing. Mr. Rolan further noted that it was his understanding that the District needed to construct the EST or some form of large storage facility to make adequate use of the dedicated transmission line from the NHCRWA for groundwater now and later in 2010, and that the District will need the EST or some form of large storage facility for groundwater and surface water storage. Director Marks then asked when NW 30 expressed a need for water to the NHCRWA and when did the proposed EST come into the discussion. Mr. Rolan responded that the NHCRWA heard from NW 30 over a year ago in September, 2005 regarding their need for additional water capacity in light of their well problems. Mr. Rolan noted that discussions regarding the District's proposed EST had occurred in a meeting with Jones & Carter and Mr. Conner in late August or September, 2006.

Mr. Rolan then reviewed how groundwater would be delivered from the NHCRWA to the District's Water Plant No. 3 via an air gap connection and pumped by the District to NW 30 until the NHCRWA's transmission line is extended to serve NW 30 and noted that this arrangement does not require an EST. Ms. Bobbitt interjected that the Joint Cooperative Plan is intended to be in place for approximately 14 months or until the NHCRWA's transmission line is extended to serve NW 30. A discussion then ensued regarding the delivery of water to the districts. Mr. Rolan stated that the NHCRWA will deliver water to the District at 60 to 65 PSI and at this point, is not certain whether a re-pressurizing station will be necessary.

Director Marks then stated that after hearing all of the information that has been presented at tonight's meeting, he does not have any more confusion about these issues, but stated that the District's consultants had done a poor job of explaining these matters to the Board. Director Marks added that he has a problem with the consultants discussing the EST in August, 2006 with the NHCRWA and then not bringing the matter to the Board until October, 2006.

Mr. Hudson then stated that he did not receive a copy of the information concerning the Options and asked what size transmission line between Water Plant No. 3 and Water Plant No. 4 would be needed and at what cost versus the cost of constructing the EST. Mr. Peterson stated that the transmission line would need to be a 16-inch line.

Mr. Conner then stated that in the past, both he and the District's engineers have not been in favor of constructing an EST only to satisfy the Texas Commission on Environmental Quality (the "TCEQ") rules, but now that the District is reaching a size that a fourth water plant is needed and in light of a dedicated transmission line being constructed by the NHCRWA, it is appropriate to consider all options available to the District, one of which is an EST. Mr. Conner went on to explain that the three (3) Options were presented to the Board at the December meeting to help the Board analyze what is in the District's best interest.

Mr. Hudson asked several more questions about the three (3) Options, which were answered by Mr. Peterson and Mr. Conner.

Director Steffes then noted that even if the District constructs a full Water Plant No. 4, connected to Water Plant No. 3, the TCEQ might still require that the District build an EST. Director Warren challenged Director Steffes' statement and asked how anyone can be certain of that if no one has even approached the TCEQ about extending the variance for an EST. Mr. Peterson noted that the TCEQ variance is valid until the District reaches 4,460 occupied connections. Mr. Conner noted that the District currently has 3,800 to 3,900 occupied connections. Further discussion of the issue ensued. Director Marks then asked if NHCRWA will ever take over the operation of the District's facilities. Mr. Schindewolf responded that the NHCRWA will not take over the operation of the District's facilities. Director Marks inquired if the District will receive depreciated asset credits if an EST is constructed. Mr. Rolen responded that the District will receive depreciated asset credits on the EST. Director Marks then asked whether the NHCRWA would be providing the District with 1 million gpd of water in 2010. Mr. Peterson stated that until 2010, the District will receive 1 million gpd of water from the NHCRWA, but after 2010, the District will require 3 million gpd of water as indicated in the District's Water Master Plan.

Messrs. Schindewolf and Rolen then exited the meeting at 8:50 p.m.

Director Theiss then inquired if a conflict of interest exists since Ms. Bobbitt represents both the District and the NHCRWA. Ms. Bobbitt responded that she had previously disclosed to the Board several years ago her representation of the NHCRWA as its general counsel. Ms. Bobbitt stated that she has provided no legal advice or input to the NHCRWA concerning the Joint Cooperative Plan or the Groundwater Transfer Agreement – Buyer. Director Theiss then commented that it looks as if the NHCRWA made decisions concerning the Joint Cooperative Plan and the funding of items related to the Joint Cooperative Plan prior to the

Board approving the Joint Cooperative Plan. Ms. Bobbitt stated that the NHCRWA's decisions were made solely in connection with the adoption of the NHCRWA budget for the fiscal year ending December 31, 2007 in order to include funding for capital projects within the NHCRWA boundaries and for projects that are reflected in the NHCRWA's Capital Improvement Plan.

Director Warren then asked how water would be provided to Spring Terrace and the other developments north of FM 2920. Mr. Peterson responded that water will be available from a looped system utilizing Water Plant No. 3 and Water Plant No. 4, as outlined in the District's Water Master Plan. Mr. Peterson briefly reviewed the looped waterlines in the District to be completed by the end of 2007, as reflected in the Water Master Plan. An extensive discussion then ensued concerning the looped waterlines. Director Warren stated that he was still concerned about the maintenance expenses and problems associated with the proposed EST.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Interim Water Supply Agreement by and between the District and NW 30.

DISCUSSION REGARDING REQUEST FOR SANITARY SEWER ANALYSIS REGARDING VILLAGES OF SENTERRA LAKES AND SENTERRA LAKES

A discussion then ensued regarding the sanitary sewer analysis requested by Mr. Hudson for Senterra Lakes and Villages of Senterra Lakes. The Board was reminded that at the December 19, 2006 meeting, Mr. Shackelford reported that he had received a letter dated December 11th from Mr. Glunt requesting authorization to connect Lift Station No. 7 to the Senterra Lakes gravity sanitary sewer system for ultimate discharge into the Bridgestone West gravity sanitary sewer system and Lift Station No. 2 rather than completing construction of the force main extension between the Senterra Lakes subdivision entrance and the gravity sanitary sewer line located on Kuykendahl Road south of Bridgeview Lane, as originally contemplated in the March, 2004 feasibility study for the development. Mr. Shackelford went on to explain that he had asked for the Board's authorization to prepare a feasibility study on Lift Station No. 2 to determine if there is adequate capacity in such lift station and in the Bridgestone West gravity sanitary sewer lines for Senterra Lakes and Villages of Senterra Lakes, and the Board had denied such authorization. Mr. Shackelford stated that he had responded by letter dated December 20th to Mr. Glunt, a copy of which is attached hereto.

Mr. Hudson then stated that although he has requested copies of the plans for Bridgestone West from the District's General Manager and Jones & Carter three (3) times, such plans still have not been provided. Ms. Bobbitt noted that copies of such requests have never been provided to her office. Director Marks then stated that in the future, all such requests should be sent to Ms. Bobbitt's office. Director Marks further stated that when the matter was discussed at the December 19th meeting, he did fully understand what was being requested. Mr. Hudson stated that it is much more cost efficient to allow the connection to Life Station No. 7 and ultimate discharge into Lift Station 2 than to complete the construction of the force main extension. Mr. Hudson further stated that with more efficient STPs, re-rating of the STP's capacity should be considered. Extensive discussion ensued concerning Mr. Hudson's reasons for requesting the change. 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

authorize Jones & Carter to prepare a feasibility study on Lift Station No. 2 and the Bridgestone West gravity sanitary sewer lines to determine if there is adequate capacity to handle the sanitary sewer flow from the Senterra Lakes and Villages of Senterra Lakes subdivisions. Mr. Shackelford stated that he would try to have the feasibility study ready for the Board's review at the February Board meeting, but no later than the March Board meeting.

Ms. Bobbitt reminded the Board that the next regular meeting is scheduled for Tuesday, February 20, 2007, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 20th day of February, 2007.


Secretary, Board of Directors

