

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

Adrian E. Steffes	President/Investment Officer
Jim Marks	Vice President
Linda D. Theiss	Secretary
Ronald W. Schkade	Assistant Secretary
Skip Warren	Treasurer

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

Director Steffes then called to order the second 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.

Director Warren then asked if the SPA would affect construction permitting requirements for commercial development in the District. Ms. Bobbitt responded that construction permitting requirements would not change and noted that such permitting is under the jurisdiction of Harris County. Ms. Bobbitt also noted that the SPA guarantees that the City will not annex the District for 30 years. Ms. Bobbitt stated that the State of Texas will begin collecting the extra one (1) cent of sales tax on July 1st, and the District would likely receive its first SPA check by mid-October.

Ms. Bobbitt noted that the Board's approval of the SPA would be deferred until later in 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.

Ms. Bobbitt then noted that she had recently received the meeting notes from Mr. Conner, but had not yet finalized the minutes for the special meetings of December 6, 2006 and January 10, 2007 and requested that approval of such minutes be deferred. Mr. Peterson noted that the bids for the clearing and grubbing of the Village of Senterra Lakes, Section 2 had been advertised last week.

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 approve the following Consent Agenda items: 1) approve the minutes of the regular meeting of January 23, 2007 and the special meeting of November 7, 2006, as written; 2) ratify changing the regular meeting time from 6:00 p.m. to 7:00 p.m., beginning with the March 20th meeting; 3) approve the following pay estimates and change order: a) Pay Estimate No. 1 in the amount of \$78,531.73 from C.E. Barker, Ltd. for construction of water, sewer and drainage facilities to serve Gosling Pines, Section 2; b) Pay Estimate No. 1 in the amount of \$55,683.00 and Change Order No. 1 in the amount of \$4,000.00 from Lecon, Inc. ("Lecon") for the water and sewer extension along FM 2920 to serve the Klein Independent School District tract; c) Pay Estimate No. 1 in the amount of \$332,278.18 from B&D Construction Co., Inc for the Trunkline Gas Company box culverts to serve Northcrest Village, Section 6; and d) Pay Estimate No. 7 and Final in the amount of \$12,453.09 from SLC Construction, L. P. for construction of water, sewer and drainage facilities to serve Spring Terrace, Section 2; and 4) authorize the execution of any necessary easements to serve various District developments.

REGULAR AGENDA

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of January, a copy of which is attached hereto. Ms. Hall reported that 90% of the District's 2006 taxes have been collected to date. 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. Ms. Hall noted that a lawsuit had been filed against May May Enterprises, Inc. dba Rigia's Pizza in connection with their delinquent account, as reflected under Section I of the Report. Ms. Hall noted that no action was required on the Report.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2007 TAX YEAR

Ms. Hall then explained that last year, the Board granted a \$25,000.00 exemption for individuals who are disabled or who are 65 years of age or older and a 10% general residential homestead exemption. Ms. Hall reported that 2,192 property owners applied for the 10% homestead exemption, 257 property owners had applied for the \$25,000.00 over 65 years of age exemption and 40 property owners had applied for the \$25,000.00 disabled exemption. 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 adopt a Resolution Concerning Exemptions from Taxation for 2007 Tax Year (the "Resolution"), thereby granting a \$25,000.00 exemption for individuals who are disabled or who are 65 years of age or older and granting a 10% general residential homestead exemption. A copy of the Resolution is attached hereto.

RESOLUTION IMPLEMENTING PENALTY ON 2006 DELINQUENT TAXES AND CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES

Ms. Bobbitt then explained that pursuant to Sections 6.30, 33.07, 33.08 and 33.11 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2006 real property taxes that remain delinquent as of July 1, 2007 and an additional 20% penalty on 2006 personal property taxes that remain delinquent as of April 1, 2007, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Implementing Penalty on 2006 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is attached hereto.

Ms. Hall then noted that Mr. Carl Sandin of Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax attorney, had informed her that their office would not take efforts to collect the penalty on personal property prior to July 1, 2007.

DIRECTOR'S INSPECTION REPORT

Director Schkade then presented the Director's Report for his inspection of the District's facilities on February 10, 2007, with Mr. Almaguer and Mr. Peterson, a copy of which is attached hereto. Mr. Peterson noted that he has scheduled, with the manufacturer's representative, the necessary work to have the bolts tightened on the ground storage tank ("GST") at Water Plant No. 1 in order to stop three (3) small leaks that have appeared. A discussion then ensued concerning Mr. Peterson's recommendation that the required inspections and any necessary painting be done on the hydropneumatic tanks and small GST at Water Plant No. 2. Mr. Conner concurred with Mr. Peterson's recommendation.

Ms. Sears then noted that the valve lock and chain have been replaced at Water Plant No. 3, as previously discussed. Ms. Sears also reported that the contractor has agreed to repaint the GST at Water Plant No. 3.

Concerning the Bridgestone Park and seven (7) lots, Director Warren asked if the Board would approve having the sunken area around the sign for the park leveled and re-sodded. Director Warren also reported that there is an exposed rebar stake near the "No Motorized Vehicles" sign in the park that is a potential hazard. Mr. Peterson noted that the rebar might be a surveying stake. Director Warren also recommended that the Board authorize a knowledgeable tree specialist to look at the oak trees located on the seven (7) lots that the District owns in the park.

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 approve the Director's Report and to authorize Mr. Conner to have Tom's Tree Service to inspect the oak trees on the seven (7) lots in the park.

Ms. Hall then exited the meeting at 6:50 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.

Ms. Jarmon went on to report that \$40,890.00 in taps had been collected during the prior month, and that she was adding check no. 9795 in the amount of \$92.64 to Neal's Restaurant and replacement check no. 9796 in the amount of \$7,689.48 to Milestone Klein Crossing S. C. Ltd. to the checks being presented for payment.

Director Warren asked if Ms. Jarmon can determine the utility cost savings the District has received or is going to receive from the energy provider contract with Suez Energy Resources. Ms. Jarmon responded that it is too early in the new contract to determine the amount of cost savings. Ms. Bobbitt suggested that Mr. Mike Harrington of American

Enerpower, Inc. be asked to give a report to the Board after the energy service contract has been in place for six (6) months.

Director Marks then entered the meeting at 6:57 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 Bookkeeper's Report, the investment report and the payment of the checks reflected therein.

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 he had met with the paint contractor to inspect the GST at Water Plant No. 3 and that the contractor has agreed to repaint the GST.

Mr. Conner next reported that additional work on the Spring Terrace stormwater detention pond pump station is necessary prior to the District's acceptance of the pump station and detention pond, but that it is expected that the additional work will be completed in the near future.

Concerning the Springbrook stormwater detention pond, Mr. Conner reported that four-wheelers and motorcycles have caused damage to such facility. Mr. Conner noted that he has asked for the Constables to monitor the detention pond and recommended that the District post "No Trespassing/No Motorized Vehicles" signs on the detention ponds in order for the Constables to enforce the regulations.

Mr. Conner next reported that the residents are increasing their participation in the District's recycling program. Mr. Conner added that he has arranged with Mr. Wolff of Residential Recycling of Texas, Inc., the District's recycling service contractor, to collect all of the remaining Republic Waste Services of Texas, Ltd. ("Republic") recycling bins and bring them to the District's Sewage Treatment Plant in order for them to be picked up by Republic.

Director Schkade then asked about the timeline on the trial date regarding the Albertson's detention pond lawsuit. Mr. Conner responded that he had not received an update on the trial date.

Director Warren next requested that the meeting minutes reflect that on Monday, February 19, 2007, Republic was in the District until 6:30 p.m., which is a violation of the terms of their current contract with the District. The Board directed Mr. Conner to prepare and forward a letter to Mr. Johnny Smith of Republic concerning the contract violation.

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 the General Manager's Report.

Scout Jared Neely and Ms. Neely then entered the meeting.

Director Schkade then returned to the subject of the inspections of the hydropneumatic tanks and small GST at Water Plant No. 2. Director Marks reminded the Board that in 1993, the GST underwent repairs and was repainted. Director Marks suggested, and the Board concurred, that Jones & Carter obtain both repair and replacement costs for the GST for the Board to review and consider.

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

UPDATE ON AND DISCUSSION OF WATER SYSTEM ANALYSIS AND DISTRICT'S WATER MASTER PLAN COMPLIANCE WITH TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") PUBLIC WATER SYSTEM CRITERIA

Mr. Peterson next reviewed his updated Summary of Water System Options (the "Summary") with the Board, a copy of which is attached hereto. Mr. Peterson noted that Option 3 on the Summary is the option previously approved by the Board at the December 19, 2006 meeting. Mr. Conner stressed that the Board needs to come to a decision regarding the proposed elevated storage tank ("EST") in order to move along with other projects that need to go forward, including, but not limited to, the District's ninth (9th) bond application. Mr. Shackelford stated that there would be limited power cost savings with Options 4A or 4B and also pointed out that less GST capacity would be required with an EST than without an EST, based on current TCEQ requirements. Mr. Peterson noted that with Option 4A, all of the water delivered by the North Harris County Regional Authority (the "NHCRWA") would be delivered to Water Plant No. 4. Director Warren then asked about the functioning of the water system when maintenance work is required on the EST. Mr. Shackelford responded that the District would have to utilize a back-up or alternate delivery system using the District's GSTs whenever the EST is not in service, and that the piping for such back-up system is included in the cost of the EST. Mr. Shackelford added that the cost and time to paint an EST is about the same as the maintenance cost on a large GST. Mr. Peterson noted that the pedestal of the EST would not require painting. Director Theiss asked what kind of electrical controls would be required for the EST. Mr. Shackelford responded that a 110-volt connection and a small generator, at an estimated cost of \$10,000.00, is all that would be necessary for the EST.

Discussion then ensued concerning how long the District might be able to defer construction of Water Plant No. 4. Mr. Conner noted that as long as the District is not experiencing water pressure problems, the system can operate without Water Plant No. 4. Mr. Shackelford stated that it might be two (2) to three (3) years before the District needs to build Water Plant No. 4 if growth in the District slows down. Mr. Conner also pointed out that the District will not receive depreciated asset credits from the NHCRWA if the Water Plant No. 4 wells are drilled. Director Warren stated that he does not want an EST and is still concerned about the cost of maintaining this type of facility. Director Warren added that he prefers Option 4A, but knows the Board had previously approved Option 3 after he had left the December 19, 2006 meeting.

Following additional lengthy discussion, Director Steffes stated that it was time for the Board to make a decision on the options presented by Jones & Carter. The Board concurred that even though the Board had previously taken action and approved Option 3 at the December 19, 2006 meeting, another vote would be taken on the matter at tonight's meeting on the option the

Board wants to move forward with in order to give all the Board members an opportunity to participate in the vote.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote opposed, with Director Warren voting in opposition, to approve Option 3 and amend the District's Master Water Plan accordingly.

Director Marks then suggested that Director Theiss and Director Warren serve on a subcommittee of the Board to determine the make, style and color of the EST.

Mr. Conner then exited the meeting at 8:15 p.m.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S REPORT

Corporal Walker then reviewed the Constable's Report for the month of January, a copy of which was previously distributed to the Board and is attached hereto. Director Warren reported that the big security light at the Bridgestone Park needs replacing. Director Warren also noted that vandals had smashed bottles on the tennis courts.

Sergeant Coleman and Corporal Walker then exited the meeting.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of January 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 91.6%, and that there were 14 sludge hauls during the month. Ms. Sears added that there are currently 4,463 connections in the District. Ms. Sears noted that the Operator's Report had been corrected to reflect the correct information regarding the current \$0.84/1,000 gallons NHCRWA pumpage fee.

Upon motion by Director Marks, 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.

ENGINEER'S REPORT

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

Concerning the completion of the Villages of Senterra Lakes six (6) inch force main to Lift Station No. 7, Mr. Peterson reported that, as discussed at the special meeting of the Board on February 6, 2007, Rebel Dozer Service & Construction, Ltd. has been awarded the construction contract in the amount of \$230,434.50. Mr. Peterson stated that as soon as the contractor has executed the contracts, they will be submitted to JRPB to verify the payment and performance bonds. Mr. Peterson indicated that the Notice to Proceed and the pre-construction meeting for the project would be held early in April.

Mr. Peterson further reported that he is presenting the construction contracts with Lecon for construction of the Ditch "A" and Ditch "B" improvements for execution at tonight's meeting.

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 authorize execution of the construction contracts for the two (2) projects, as outlined above.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that the District has approximately \$580,000.00 in surplus bond funds from prior bond issues in the Capital Projects Fund that must be used in the near future to avoid serious federal tax ramifications. Ms. Bobbitt explained that she asked Ms. Ann Levy, the tax attorney at JRPB, to analyze the District's tax situation, and that a report on the matter will be provided to and discussed with the Board at a meeting in the near future.

Concerning the acquisition of three (3) fee strips for the Lower Bonds Gully project, Ms. Bobbitt noted that a special meeting of the Board would be scheduled as soon as the appraisals for such property acquisitions are received in order for her to obtain Board authorization for the offers to the owners of the fee strips.

APPROVAL OF THE SPA

Ms. Bobbitt then requested that the Board approve the SPA with the City. 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 SPA and authorize execution of same, a copy of which is attached hereto. Ms. Bobbitt noted that City Council action on the SPA is scheduled for March 21, 2007.

MISCELLANEOUS MATTERS

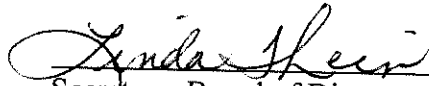
Director Warren then explained that many groups are now using the Bridgestone Community Center, and that he does not have an area big enough to store the District's conference chairs. Director Warren suggested that a plastic shed could be placed outside the meeting building for storage of the District's chairs and equipment. Director Warren also noted that the flags need to be replaced at the Community Center.

Director Warren then made a motion to purchase a speakerphone system for use during Board meetings to enable absent directors to listen to the meeting discussions when they cannot attend the meeting. The motion was seconded by Director Theiss and approved unanimously by the Board.

Ms. Bobbitt reminded the Board that the Board's next regular meeting is scheduled for Tuesday, March 20, 2007, at 6:00 p.m., but that a special meeting to discuss the Lower Bonds Gully appraisal information will be scheduled within the next several weeks.

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

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


Secretary, Board of Directors



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