

2007-6
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
March 20, 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, March 20, 2007, at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

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|-------------------|------------------------------|
| 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 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. Joe Almaguer of Aqua Services, LP, operators for the District; Lieutenant David Blankenship and Corporal Matthew Walker of the Harris County Precinct 4 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; Mr. Johnny Smith, Resident Sales Manager of Republic Waste Services of Texas, Ltd. ("Republic"), garbage collection contractor for the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), 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.

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 the minutes for the special meetings of December 6, 2006, January 10, 2007 and February 6, 2007 had not been finalized and requested that approval of such minutes be deferred.

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 February 20, 2007, as written; 2) approve the following pay estimates and change order: a) Pay Estimate No. 3 in the amount of \$32,411.70 from Pace Services, LP for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 3; b) Pay Estimate No. 3 in the amount of \$10,111.50 from Peltier Brothers Construction, Ltd. for construction of Lift Station No. 7; c) Pay Estimate No. 2 in the amount of \$553,737.62 from C.E. Barker, Ltd. for construction of water, sewer and drainage facilities to serve Gosling Pines, Section 2; d) Pay Estimate No. 2 in the amount of \$63,999.00 and Change Order No. 1 in the amount of \$4,000.00 for clearing and grubbing from TBA Contractors, LLC in connection with the construction of the Klein Independent School District water and sewer line extensions along FM 2920; e) Pay Estimate No. 2 in the amount of \$370,630.90 from B&D Construction Co., Inc. for construction of water, sewer and drainage facilities to serve Northcrest Village, Section 6; and f) Pay Estimate No. 4 and Final in the amount of \$37,976.00 from Bay Utilities, L.L.C. ("Bay Utilities") for construction of water, sewer and drainage facilities to serve Spring Terrace, Section 4; g) Pay Estimate No. 4 in the amount of \$8,190.00 from Bay Utilities for construction of water, sewer and drainage facilities to serve Senterra Lakes, Section 2; and h) Pay Estimate No. 4 and Final in the amount of \$5,100.00 from Angelos Painting for the recoating of Water Plant No. 3 ground storage tank (the "GST") in 2006; and 3) authorize the execution of any necessary easements to serve various District developments.

PUBLIC COMMENT

Director Warren reported that a resident called him to complain about the problem with four wheelers and motorcycles on the various drainage ditches in the District. Mr. Conner noted that he has ordered the "No Trespassing/No Motorized Vehicle" signs, which should be ready for installation next week. Mr. Conner stated that once the signs are installed, the constables would be able to enforce the trespassing of motorized vehicles on the District's drainage ditches.

Mr. Smith then entered the meeting at 7:10 p.m.

Director Steffes then reported that a short-cut path has been established at the back of the Albertson's property to Edgewood. Director Warren also reported another short-cut path at the bridge crossing at Bridgeview Lane. Mr. Conner stated that he would have cables put across the areas to prevent entry.

REGULAR AGENDA

DIRECTOR'S INSPECTION REPORT

Director Steffes then presented the Director's Report for his inspection of the District's facilities on March 16, 2007 with Mr. Almaguer. Director Steffes reported that all of the District's facilities were in good shape. Director Steffes noted that the recoating of the GST at Water Plant No. 3 is complete except for some final touch-up work, that the Park looked good, but needed to be mowed, and that Tom's Tree Service has trimmed the trees in the Park, as previously authorized by the Board.

APPROVE AND AUTHORIZE EXECUTION OF AGREEMENT FOR FINANCING FACILITIES WITH KSS PARTNERS (THE "FINANCING AGREEMENT")

Ms. Bobbitt then presented the proposed Financing Agreement and reminded the Board that the Financing Agreement is for the 7.5-acre tract of land formerly referred to as the Priske-Jones tract located on the southeast corner of Kuykendahl Road and Spring Stuebner Road within the boundaries of the District.

Director Marks then entered the meeting at 7:20 p.m.

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 and authorize execution of the Financing Agreement, a copy of which is attached hereto.

REVIEW AND APPROVE PETITIONS FOR ANNEXATION OF 3.907-ACRE EAGLE WATER MANAGEMENT, INC. TRACT OF LAND

Ms. Bobbitt next reported that her office had received the Petition for Addition of Land and the Petition for Consent to Annex Land into the District from Mr. Tracy Riley of Eagle Water Management, Inc. concerning his 3.907-acre tract. 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 petitions, authorize execution of the Petition for Consent to Annex Land into the District and authorize the attorney and engineers to proceed with the annexation of the 3.907-acre tract of land into the District. Copies of the petitions are attached hereto.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of February, a copy of which is attached hereto. Ms. Hall reported that 88.7% of the District's 2006 taxes have been collected to date and noted that there were a large number of refund checks included in tonight's checks. 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 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 no action was required on the Report.

Lieutenant Blankenship and Corporal Walker then entered the meeting at 7:28 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 the painting contractor has completed the exterior re-coating of the GST at Water Plant No. 3.

Mr. Conner next reported that additional work on the Spring Terrace stormwater detention pond pump station has been completed, and the District can proceed with acceptance of the pump station and detention pond. Mr. Conner noted that the Bella Sera detention pond is not ready for acceptance by the District.

Mr. Conner next reported that Director Marks had called him earlier in the day to make him aware that Republic's collection crews were still picking up garbage in the District after 8:15 p.m. last night. Mr. Conner noted that he had met with Mr. Smith at noon today to discuss the garbage collection problems and asked Mr. Smith to attend the meeting tonight. Mr. Smith addressed the Board and explained that the collection crews have been running late on Mondays due to an increase in tonnage, including heavy trash, that is put out by residents on Monday mornings rather than the second pick-up day of the week, which is the designated heavy trash pick-up day in the District. Mr. Smith stated that the collection crews have been taking all debris that is left out on Monday, rather than bypassing the heavy trash items that should be picked up on Thursdays. Mr. Smith then distributed a list of Disposal Volume by Service Day for the District, a copy of which is attached hereto, and noted that a great deal more garbage is collected in the District on Mondays than is collected on Thursdays. Mr. Smith stated that he has arranged for one (1) additional collection truck to be assigned to the District on Mondays.

Ms. Hall then exited the meeting at 7:35 p.m.

Director Schkade then asked if the Monday trash volumes would die down once residents complete their spring-cleaning activities. Mr. Smith stated that much of the problem is seasonal with residents doing yard maintenance over the weekends and putting large amounts of garbage out on Mondays. Director Marks commented that when Mr. Smith submitted his proposal to the Board last December, he should have been aware of the increased volumes and the rapid growth of the District and planned accordingly. Director Theiss then recommended that the Board allow Mr. Smith 30 days to put the additional truck into service and to correct the late evening collections and revisit the matter at the Board's April 17th meeting. Director Warren commented that pursuant to the terms of the District's contract with Republic, the collection hours are between the hours of 7:00 a.m. and 5:00 p.m. A discussion ensued concerning providing the residents with updated garbage collection information. The Board concurred that a separate mailing of a garbage information flyer should be sent out as soon as possible in order to remind

residents that heavy trash pick-up is provided on Thursdays and not on Mondays. Mr. Smith indicated that he would provide Republic's information flyer to Ms. Bobbitt's office. Director Steffes asked that the information flyer also be posted on the District's website immediately.

Mr. Conner then continued his General Manager's Report, noting that he had met Mr. Jim Smith at the Texas Water Utilities Association conference last week, and recommended that he schedule a special workshop meeting of the Board to have Mr. Smith make a presentation on water accountability.

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.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

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

Lieutenant Blankenship and Corporal Walker then exited the meeting at 8:10 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 \$33,930.00 in tap fees had been collected during the prior month. Ms. Jarmon noted that check no. 9830 to the Rhodes Landing Homeowners Association (the "HOA") in the amount of \$2,986.77 represents a reimbursement for electric service that should have been paid by the District after the detention pond facilities were accepted for maintenance by the District. Ms. Jarmon noted that the service contract for the facility had not been transferred by the HOA to the District.

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.

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (THE "TCEQ") FOR APPROVAL OF USE OF SURPLUS FUNDS (THE "RESOLUTION")

Ms. Jarmon then noted that the District has awarded a construction contract for the Ditch "A" and Ditch "B" improvement project. The acquisition of land from Mr. Bill Paiko and the funds for the project, including the amount of \$439,276.00, can be funded out of the surplus funds in the District's Capital Projects Fund, upon receipt of approval from the TCEQ.

Ms. Bobbitt then presented the Resolution for the Board's approval. 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 adopt the Resolution and authorize the attorney and engineers to proceed with the submission of the application to the TCEQ. A copy of the Resolution is attached hereto.

Director Warren then inquired as to the status of the District's eighth bond application currently pending at the TCEQ. Ms. Bobbitt reported that she had received an email response from Mr. Justin Taack, the TCEQ reviewer, last week that indicated the review of the additional information submitted in response to the TCEQ Staff Memo was underway, but that nothing has yet been received from the TCEQ on the matter. Ms. Bobbitt stated her office would continue to closely monitor the matter.

OPERATOR'S REPORT

Mr. Almaguer noted that Ms. Sears was ill and would not be attending tonight's meeting. Mr. Almaguer then reviewed the Operator's Report for the month of February with the Board, including the termination list, copies of which are attached hereto. Mr. Almaguer reported that the District's four (4) month water accountability ratio was 91.6%, and that there were 12 sludge hauls during the month. Mr. Almaguer added that there are currently 4,538 connections in the District. Mr. Almaguer also reported that Water Plant No. 3 would be back online next week, at which time Water Plant No. 2 will be taken offline for inspection and repairs, as previously discussed with the Board. Mr. Almaguer also reported that the Operator's Report includes a draft of the District's 2006 Consumer Confidence Report, which will appear as an action item on the Board's April 17th agenda.

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 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.

Mr. Peterson briefly reviewed photographs of elevated storage tanks in the surrounding area and stated that he would schedule a tour of several elevated storage tanks with the Board to enable them to visualize what will be constructed in the District.

Concerning the completion of the Villages of Senterra Lakes six (6) inch force main to Lift Station No. 7, Mr. Peterson reported that Rebel Dozer Service & Construction, Ltd. has delivered the payment and performance bonds to Jones & Carter, but still needs to execute the construction contracts, and then will be submitted to Ms. Bobbitt's office for review.

Mr. Peterson next reported that as soon as Water Plant No. 3 is returned to service, the GST at Water Plant No. 2 would be taken down for inspection and repairs. Mr. Peterson stated

that Jones & Carter should have the estimate for the necessary GST repairs at the April 17th meeting.

Mr. Peterson next reported that the semi-annual well performance testing was performed in January and that the results of such testing were good. Mr. Peterson recommended that Water Well No. 2 be closely monitored, which may require some rework in the near future.

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 Engineer's Report.

ADOPT RESOLUTION AUTHORIZING APPLICATION TO TCEQ FOR APPROVAL OF PROJECT AND NINTH BOND ISSUE (THE "BOND APPLICATION RESOLUTION")

Ms. Bobbitt explained that as soon as the District's eighth bond issue is approved by the TCEQ, the District must be ready to submit the application for the ninth bond issue. Ms. Bobbitt then presented the Bond Application Resolution for the Board's approval. Upon motion by Director Theiss, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Bond Application Resolution, a copy of which is attached hereto.

ADOPT AMENDED RESOLUTION DETERMINING AND ADOPTING PREVAILING WAGE RATES FOR CONSTRUCTION PROJECTS

Ms. Bobbitt then explained that governmental entities in the State of Texas are required to adopt prevailing wage rates that then become part of the construction contracts entered into by that entity. Ms. Bobbitt noted that the District falls under such requirements, as reflected in the Texas Water Code, and that on February 17, 2004, the Board had adopted the prevailing wage rates of the City of Houston (the "City") Ms. Bobbitt went on to explain that on February 1, 2006, the City Council adopted new prevailing wage rates and job classifications that were adopted by Harris County (the "County") on December 20, 2005 for both Labor Classification and Prevailing Wage Rates for Engineering Construction and Building Construction, such rates being the same as the United States Department of Labor Davis-Bacon determinations. Ms. Bobbitt further explained that since the wage rate determinations are subject to change, the County Commissioners Court gave the County Contract Compliance Officer the authority to modify the County's wage rates and job classifications on a quarterly basis, as may be needed. Ms. Bobbitt then recommended that the District adopt the City's prevailing wage rates and job classifications, and that the District's Engineer be given the authority to implement new wage rates and job classifications as they are revised and published by the City Contract Compliance Officer. 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 adopt the Resolution, a copy of which is attached hereto.

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF BELLA SERA/SPRING TERRACE DETENTION POND MAINTENANCE AGREEMENT (THE "MAINTENANCE AGREEMENT") AND AUTHORIZE CONVEYANCE OF DETENTION POND SITE TO DISTRICT

Ms. Bobbitt next reported that the proposed Maintenance Agreement has been finalized for execution, and that the Spring Terrace developers are prepared to convey the detention pond site to the District to be maintained until it is accepted at some point in the future by the County. Mr. Peterson noted that the Spring Terrace detention pond and stormwater pump station had been inspected by the District's representatives and are ready for conveyance to and acceptance by the District. Mr. Peterson also reported that the elevation of the Bella Sera detention pond tie-in to the Spring Terrace detention pond must be adjusted by one (1) foot prior to the acceptance of such pond by the District. 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 and authorize execution of the Maintenance Agreement and authorize the conveyance of the Spring Terrace detention pond site to the District. A copy of the Maintenance Agreement is attached hereto.

ATTORNEY'S REPORT

Ms. Bobbitt explained that she had asked Ms. Ann Levy, the tax attorney at JRPB, to analyze the District's unexpended funds from bond proceeds to determine the District's tax situation, and that a report on the matter will be provided to and discussed with the Board at a future meeting.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 8:45 p.m. and announced that the Board would convene in executive session pursuant to Section 551.074, Texas Government Code, as amended, to discuss personnel matters. The Board, Mr. Conner, Ms. Bobbitt and Ms. Dold remained in executive session.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 9:20 p.m. where the Board deferred action on the proposed Amended Agreement for General Management Services (the "Amended Agreement"). Mr. Conner stated he will send out a copy of his current Agreement for General Management Services and the proposed Amended Agreement to the Board, as requested.

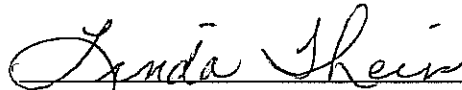
MISCELLANEOUS MATTERS

Ms. Bobbitt then asked the Board to make a decision regarding the garbage information mail out to District residents. Upon motion by Director Theiss, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize a separate mailing to all District residents of the Republic garbage information flyer as soon as possible and asked Mr. Conner to contact Mr. Smith about having Republic share the cost of such mailing.

Ms. Bobbitt reminded the Board that the Board's next regular meeting is scheduled for Tuesday, April 17, 2007, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 15th day of May, 2007.


Secretary, Board of Directors

(DISTRICT SEAL)

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