

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

December 20, 2011

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 Jerry Thomas Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, December 20, 2011, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President
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. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Pat Hall of Equi-Tax, Inc., tax assessor/collector for the District; Messrs. Erich Peterson, P.E. and Joshua Lee, P.E. of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Messrs. David Rowe and Danny Staab of Water District Management Company, Inc. ("WDM"), operators for the District; Lieutenant Ronnie Glaze of the Harris County Precinct 4 Constable's Office; Mr. Bob Hudson of Texas Investment & Development Company, Inc., developer of the Bridgestone Lakes, Senterra Lakes, LP and Villages of Senterra Lakes subdivisions within the District; Ms. Juanita Orsak, land development manager-Houston, and Mr. Robert Daigle, land development project manager, for D.R. Horton Homes, homebuilders and developer in The Sanctuary Veritas subdivision within the District; Mr. Clay Roper of Caldwell Companies representing Children's Universe concerning a commercial tract located on FM 2920; Mr. Jeff Pena, P.E. of Bleyl & Associates representing Children's Universe; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the District. A copy of the sign-in sheet for those in attendance at the meeting is attached hereto.

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.

Lieutenant Glaze then entered the meeting at 6:15 p.m.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Lieutenant Glaze then presented the monthly Constable's Report that had previously been distributed to the Board, a copy of which is attached hereto. Lieutenant Glaze reported that criminal activity at the Wal-Mart SuperCenter and car burglaries in the District had increased significantly during the holiday season.

Lieutenant Glaze then exited the meeting at 6:05 p.m.

CONSENT AGENDA

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda. Ms. Bobbitt noted that the minutes of the special meeting of October 11, 2011 had not yet been finalized. Director Steffes asked that all outstanding sets of minutes that have not been approved by the Board be presented for approval at the Board's January meeting. Ms. Bobbitt stated that all such minutes would be provided to the Board.

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 following Consent Agenda items: 1) approval of the minutes of the regular meeting of November 15, 2011, as written, 2) approval of the following pay estimates and change order: a) Pay Estimate No. 2 from Lindsey Construction, Inc., in the amount of \$131,094, in connection with construction of the Regional Detention to serve The Sanctuary Veritas; b) Pay Estimate No. 1 from AR Turnkey Construction Company, Inc., in the amount of \$54,982.35, in connection with construction of the KM Realty/Castlewood Development Water and Sanitary Sewer Extension; and c) Pay Estimate No. 1 from Clearwater Utilities, Inc., in the amount of \$264,385.26, and Change Order No. 1 decreasing the construction contract by \$10,515.60, in connection with the construction of the water, sewer and drainage facilities to serve Villages of Senterra Lakes, Section 4; 3) Adopt Order Annexing Land and Redefining Boundaries of the District regarding the 4.7955-acre tract owned by Third Generation Development LP, a copy of which is attached hereto; 4) authorize execution and filing of Amended District Information Form in connection with the annexation of the 4.7955-acre tract of land, a copy of which is attached hereto; 5) authorize execution of Certified Boundary Map in connection with the annexation of the 4.7955-acre tract; 6) authorize submission to the Department of Justice under the Voting Rights Act of 1965, as amended, with respect to obtaining pre-clearance for the annexation of the 4.7955-acre tract of land into the District; and 7) adopt Resolution Authorizing Application for Texas Commission on Environmental Quality ("TCEQ") Approval of a Change in Scope and Extension of Time, a copy of which is attached hereto.

REGULAR AGENDA

CONSIDER REQUEST FROM CHILDREN'S UNIVERSE FOR CAPACITY TO SERVE a 1.7679-ACRE COMMERCIAL TRACT OF LAND

Mr. Roper then briefly reviewed plans for the development and construction of Children's Universe, a proposed daycare center of approximately 13,000 square feet, to be constructed on the southwest corner of FM 1960 and Bridgestone Ranch Road, within the boundaries of the District. A copy of the proposed site/utility plan is attached hereto. Mr. Roper noted that a similar Children's Universe daycare facility has been constructed on FM 105 in Conroe, Texas. Mr. Roper stated that the estimated assessed value of the project is \$1 million.

Ms. Dold then reported that the Service Request Application and \$3,000 feasibility study deposit had been received from Children's Universe.

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 Jones & Carter to prepare the feasibility study on the Children's Universe 1.7679-acre tract of land.

Messrs. Roper and Pena then exited the meeting at 6:18 p.m.

REVIEW AND APPROVE FEASIBILITY STUDY TO SERVE A 1.455-ACRE TRACT LOCATED ON KUYKENDAHL ROAD OWNED BY KUYKENDAHL INVESTOR GROUP (THE "KIG TRACT")

Mr. Lee next reviewed the feasibility study for service to the KIG Tract located on the northeast corner of Kuykendahl Road and 200-feet north of Edgewood Place Drive, a copy of which is attached hereto. Mr. Lee reported that the KIG Tract is planned to be developed into commercial office and/or retail space.

Mr. Lee first explained that there is an existing eight-inch (8") waterline located in a five foot (5") waterline easement along the front of the KIG Tract. Mr. Lee noted that the owner of the KIG Tract would need to arrange for a tap with WDM pursuant to the District's Rate Order in order to provide water service to the tract.

Concerning sanitary sewer service, Mr. Lee further explained that there is an existing eight-inch (8") sanitary sewer line terminating at a manhole located along the east side of Kuykendahl Road in a 25-foot sanitary sewer easement in front of the KIG Tract.

Mr. Lee estimated that the assessed value of the KIG Tract is approximately \$1.6 million and is estimated to generate tax revenues of approximately \$11,400 per year.

Mr. Lee further stated that there is no potential reimbursement associated with the KIG Tract and, therefore, there is not a Reimbursement Calculation Worksheet necessary with this feasibility study.

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 feasibility study for the KIG Tract.

REVIEW RECYCLING TONNAGE REPORT AND CONSIDER NOTICE FROM RESIDENTIAL RECYCLING OF TEXAS, INC. ("RRT") REQUESTING AN EXTENSION OF RECYCLING CONTRACT

Mr. Conner reminded the Board that they had previously reviewed at the December 6th meeting the request from RRT to extend the Residential Recycling Agreement with the District ("RRT Agreement"), dated January 1, 2007, for two (2) or three (3) years at the current monthly rate of \$2.10 per connection. A copy of the request letter dated November 30, 2011 is attached hereto. Mr. Conner stated that the Board had requested that he obtain the annual recycling tonnage information from RRT for the Board's review at tonight's meeting. A copy of the tonnage information is attached hereto. Director Warren stated that he did not want to extend the RRT Agreement for more than one (1) year because he did not believe that the residents are truly aware of the cost they pay for recycling services. Director Warren further stated that he has asked on several occasions for the recycling fee to be a separate line item on the District's monthly water/sewer invoices so the residents are aware of the recycling fee. Mr. Conner responded that he has discussed the matter with Mr. Rowe. Mr. Rowe noted that the recycling fee can be shown as a separate line item on the water/sewer service statements if a change to the billing program is made on the District's account. Director Steffes stated that it makes good sense for the Board to accept the extension of the RRT Agreement at the rate of \$2.10 per connection. Director Steffes noted that the newer subdivisions within the District probably participate more in the recycling program than the older subdivisions.

Director Warren then stated that he is still frustrated with the fact that the District does not receive any revenues from RRT for recycled materials. Several of the District's consultants noted that none of the garbage service or recycling service providers pay districts for recycled materials.

Mr. Conner then reported that, as requested by the Board, he has asked for monthly tonnage information for garbage collection in the District.

Director Steffes then asked the Board to make a decision as to whether to extend the RRT Agreement for one (1), two (2) or three (3) years.

Upon motion by Director Theiss, seconded by Director Schkade, 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 extend the RRT Agreement for three (3) years at the current monthly rate of \$2.10 per connection.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of November, a copy of which is attached hereto. Ms. Hall reported that 99.4% of the District's 2010 taxes and 3.6% of the District's 2011 taxes have been collected to date.

Upon motion by Director Theiss, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall reported that Board action was not required.

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 Delinquent Tax Attorney's 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, the investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon noted that 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, easement acquisitions and/or other services provided by the District.

Ms. Jarmon next reported that the District has received \$34,496.78 from the bankruptcy court in connection with the WB Sanctuary bankruptcy for legal and engineering fees owed to the District.

Ms. Jarmon further reported that she had received a check in the amount of \$55,593.38 for August and a check in the amount of \$80,788.64 for September from the City of Houston (the "City") for the District's share of sales tax revenue in connection with the District's Strategic Partnership Agreement with the City.

Mr. Conner then stated that he had invoices from Storm Water Solutions for damages to the Northcrest Village/Wal-Mart detention pond that had not yet been provided to Ms. Jarmon and asked that Ms. Jarmon write checks for same at tonight's meeting.

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

REVIEW AND ADOPT BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2012 (THE "2012 BUDGET")

Ms. Jarmon next reviewed District's proposed 2012 Budget, a copy of which is attached to the Bookkeeper's Report. Ms. Jarmon noted that the 2012 Budget reflects that the District has an operating reserve of 107.98%.

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 2012 Budget.

GENERAL MANAGER'S REPORT

Mr. Conner then reviewed the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner next reported that Water Well No. 4 will require rehabilitation and that Jones & Carter is in the process of preparing the plans and specifications for the rework project.

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 General Manager's Report.

DIRECTOR'S INSPECTION REPORT

Director Warren then reported that he had inspected the District's facilities with Mr. Staab on December 19, 2011, and presented the District's Inspection Report, a copy of which is attached hereto. Director Warren stated that he would work on plans for landscaping at Lift Station No. 7 after the first year.

Director Warren reported that WDM has the cost estimates for the installation of an automatic rolling gate at Lift Station No. 4 in Gosling Pines, which will be discussed later in tonight's meeting.

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 Inspection Report.

OPERATOR'S REPORT

Mr. Staab then presented the Operator's Report for the month of November to the Board, a copy of which is attached hereto. Mr. Staab reported that the District's water accountability for the month was 90.8%, with a four (4) month average of 93.7%, and that the District currently has 5,577 active connections. Mr. Staab further reported that \$22.88 in uncollectible fees is being written off.

Mr. Staab next reported that he obtained three (3) cost estimates for the installation of the automatic gate and access control for Lift Station No. 4, copies of which are attached hereto. Mr. Staab recommended the low Board accept the bid submitted by Carthage Construction in the amount of \$6,860 and noted that this contractor also installed the automatic gate and access control at Lift Station No. 6. Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to accept the bid of Carthage Construction, as outlined above.

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 Operator's Report and to authorize termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order.

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

ENGINEER'S REPORT

Mr. Peterson first stated that no changes had been made to the Engineer's Report since it was distributed last week, a copy of which is attached hereto.

Mr. Lee then reminded the Board that they need to execute the new Certified Boundary Map at tonight's meeting in connection with the annexation of the 4.7955-acre tract.

Mr. Peterson reported that a Turf Establishment Agreement with Harris County (the "County") for The Sanctuary Veritas detention pond will soon be ready for execution and asked for the Board's authorization for Director Steffes to execute same once it is received from the County. Mr. Peterson then announced that Mr. Lee had passed his Professional Engineer's exam. The Board congratulated Mr. Lee on his accomplishment.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and to authorize execution of the Turf Establishment Agreement for The Sanctuary Veritas detention pond.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that the application to the TCEQ for the release of escrowed funds and use of surplus funds in connection with the Upper Seals Gully detention system improvements and regional detention to serve the County and The Sanctuary Veritas had been submitted to TCEQ on December 2, 2011 for a 60-day expedited review.

Ms. Bobbitt next reported that the City had approved the District's Third Amended and Restated Strategic Partnership Agreement on December 14, 2011.

MISCELLANEOUS MATTERS

Ms. Bobbitt then stated that the next regular meeting of the Board is scheduled for Tuesday, January 17, 2012, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 17th day of January, 2012.

Linda Shein
Secretary, Board of Directors

