

MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS

February 21, 2012

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, February 21, 2012, 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. 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., operators for the District; Mr. L. Carlin Short, financial advisor to the District; Lieutenant Ronnie Glaze of the Harris County Precinct 4 Constable's Office; Mr. John G. Thomas, General Partner of Gosling 17 Venture, owner of a 15.4273-acre tract of land, outside the boundaries of the District; Mr. Chris Ochoa, Division Manager, Municipal Services of Republic Services, Inc., garbage collection service provider for the District; 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; Mr. Jeff Haneline, a resident of the District; and Mr. Jonathan D. Polley, 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.

## 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 most of the criminal activity in the District is at the Wal-Mart, Kroger and Lowe's stores.

Upon completion of his report, Lieutenant Glaze exited the meeting at 6:12 p.m.

## PUBLIC COMMENT

Mr. Haneline stated that he thinks it is a mistake for public water systems to depend solely on surface water for their water supply and stressed the importance of continuing to maintain groundwater production capabilities. Ms. Theiss responded that the District is mandated by the Harris-Galveston Subsidence District to reduce its use of groundwater.

## MONTHLY GARBAGE COLLECTION TONNAGE REPORT

Mr. Ochoa then addressed the Board and presented the Annual Tonnage Reports for 2010 and 2011 for the Board's review, copies of which are attached hereto. Mr. Ochoa reported that the total garbage collected in 2011 was 5,441.27 tons. Mr. Ochoa then thanked the Board and exited the meeting, and Director Steffes entered the meeting at 6:18 p.m.

## CONSENT AGENDA

Director Marks then reviewed with the Board the items reflected on the Consent Agenda. Director Marks 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. Messrs. Peterson and Polley reported that there were no changes to their items on the Consent Agenda.

Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approval of the minutes of the special meeting of January 10, 2012, and the regular meeting of January 17, 2012, as written; 2) authorize design of the public sanitary sewer extension to serve Children's Universe of Spring Klein; and 3) approval of the following pay estimates: a) Pay Estimate No. 4 from Lindsey Construction, Inc., in the amount of \$205,311.73, in connection with construction of the Regional Detention Pond to serve The Sanctuary Veritas; b) Pay Estimate No. 2 and Final from AR Turnkey Construction Company, Inc., in the amount of \$7,909.15 in connection with construction of the KM Realty/Castlewood Development water and sanitary sewer extension; and c) Pay Estimate No. 2 from Clearwater Utilities, Inc., in the amount of \$28,199.92 in connection with the construction of water, sewer and drainage facilities to serve the Villages of Senterra Lakes, Section 4;

## REGULAR AGENDA

### CONSIDER REQUEST FROM GOSLING 17 VENTURE FOR SERVICE/ANNEXATION OF A 15.4273-ACRE COMMERCIAL TRACT OF LAND

Mr. Peterson then introduced Mr. Thomas and informed the Board that the 15.4273-acre tract of land is located on the west side of Gosling Road north of Spring Steubner Road. Mr. Thomas stated that the 15.4273 acres (comprised of a 6.3397-acre tract and a 9.0876-acre tract), will be developed for commercial use. Ms. Dold then reported that the Service Request Application and \$3,000 feasibility study deposit had been received from Mr. Thomas.

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 the feasibility study on the Gosling 17 Venture 15.4273-acre tract of land.

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

### AUTHORIZE PREPARATION AND EXECUTION OF AGREEMENTS FOR FINANCING OF FACILITIES AND COST SHARING AGREEMENT IN CONNECTION WITH PROPOSED DEVELOPMENT OF CHILDREN'S UNIVERSE OF SPRING KLEIN TRACT

Mr. Polley reported that the Children's Universe of Spring Klein tract of land is 1.7 acres out of a 4.7-acre tract. Mr. Polley further explained that Mr. Mike Schindewolf, the owner of the Children's Universe tract, and Solis Management, the owner of the remaining three (3) acres will share the cost to extend sanitary sewer service to the 4.7-acre tract. Mr. Polley noted that Schindewolf Management LLC will pay 38% of the cost and Solis Management will pay 62% of the cost.

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 authorize the preparation and execution of the Agreements for Financing of Facilities and Cost Sharing Agreement for Schindewolf Management LLC and Solis Management.

### REVIEW AND DISCUSS FINANCIAL ADVISOR'S ANALYSIS REGARDING POSSIBLE REFUNDING OF THE DISTRICT'S \$4,870,000 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2003 (THE "SERIES 2003 BONDS") AND \$5,750,000 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2004 (THE "SERIES 2004 BONDS")

Mr. Short addressed the Board and recommended that the Board take advantage of the current municipal bond market by issuing bonds to refund the District's Series 2003 Bonds and Series 2004 Bonds. Mr. Short distributed and reviewed his refunding information packet, dated February 16, 2012, a copy of which is attached hereto. Mr. Short explained that the principal amount of the proposed Series 2012 Refunding Bonds would be approximately \$7,275,000 (the "Series 2012 Refunding Bonds"). Mr. Short reported that, if the District had sold the Series 2012 Refunding Bonds on February 16, 2012, the date of his refunding information packet, the total

savings on the Series 2003 Bonds and Series 2004 Bonds would have been approximately \$600,000, and stated that the net present value of savings over the life of the Series 2012 Refunding Bonds would have been approximately \$450,000. Director Steffes asked if the Board would be committed to selling the bonds if they authorized Mr. Short to proceed with preparation of the Preliminary Official Statement ("POS") tonight. Mr. Short responded that they would not. Mr. Short explained that he would present an updated refunding information packet and the POS draft at a Board meeting to occur in the near future, at which time the Board will be asked to set parameters for the issuance of the Series 2012 Refunding Bonds and appoint a Pricing Committee of two (2) Board members. Director Marks then asked how the refunding issuance would affect the District's credit rating on the District's next new money bond issuance. Mr. Short responded that it would help the District's rating because the District is decreasing the amount of its future debt service obligations with the issuance of refunding bonds.

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 authorize the financial advisor and attorney to proceed with preparation of the documents necessary for the District to proceed with the process and procedures necessary to go forward with the Series 2012 Refunding Bonds.

#### TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of January, a copy of which is attached hereto. Ms. Hall reported that 95% of the District's 2011 taxes had been collected. 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 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. 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 Delinquent Tax Attorney's Report.

#### RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2012 TAX YEAR (THE "TAX RESOLUTION")

Ms. Hall then explained that last year, the Board granted a \$25,000 exemption for individuals who are disabled or who are 65 years of age or older and a 10% general residential homestead exemption. Mr. Polley informed the Board that the Tax Resolution had been prepared to maintain these same exemptions for the 2012 tax year. 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 Tax Resolution, thereby granting a \$25,000 exemption for individuals who are disabled or who are 65 years of age or older and granting a 10% general residential homestead exemption for the 2012 tax year. A copy of the Tax Resolution is attached hereto.

RESOLUTION IMPLEMENTING PENALTY ON 2011 DELINQUENT TAXES AND CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES (THE "DELINQUENT TAX RESOLUTION")

Mr. Polley 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 2011 real property taxes that remain delinquent as of July 1, 2012 and an additional 20% penalty on 2011 personal property taxes that remain delinquent as of April 1, 2012, 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. Mr. Polley further explained that the Delinquent Tax Resolution would implement these penalties. 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 Delinquent Tax Resolution, a copy of which is attached hereto.

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 went on to report that the Texas Commission on Environmental Quality (the "TCEQ") had approved the District's application for the release of \$832,000 escrowed funds and the use of \$1,149,000 surplus funds on January 20, 2012. A copy of the TCEQ approval letter is attached hereto. Ms. Jarmon further reported that she had received a check in the amount of \$60,501.50 for November 2011 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.

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

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 first reported that he has requested a monthly tonnage collection report for the current year from Residential Recycling of Texas, Inc. and Republic and will forward the reports on to the Board as they are received.

Concerning the elevated storage tank (the "EST"), Mr. Conner reported that the EST had been offline so that Jones & Carter and the construction contractor for such facility could perform the one-year maintenance bond cancellation inspection and explained that Water Plant No. 3 has been receiving surface water while the EST has been offline. Mr. Conner further reported that he received word from the North Harris County Regional Water Authority (the

"NHCRWA") that the City had closed the Northeast Water Purification Plant due to complications with water filtration caused by recent heavy rains.

Mr. Conner next reported that the addition of ferrous sulfate to the District's sanitary sewer system began on February 9, 2012. Mr. Conner noted that the odor had not been reduced to an acceptable level and, therefore, Jones & Carter had increased the amount of ferrous sulfate being used. Mr. Conner informed the Board that DR Horton Homes had recently reported to him that the odor had caused prospective home purchasers in the Sanctuary Veritas subdivision to lose interest in the subdivision.

Mr. Conner further reported that the Water Well No. 4 has been taken offline for an inspection to determine how far the well screens should be lowered to ensure adequate submergence levels.

Director Steffes then reported that the NHCRWA sent a letter to the District regarding the District's obligation, and requesting that the District try, to maximize its use of surface water. Director Steffes stated that he would like to schedule a special meeting on Tuesday, March 6, 2012, to review and discuss the letter. A discussion ensued regarding the Board's availability to meet on that date. Director Theiss informed the Board that she would not be available to meet on any Tuesday prior to the Board's regular meeting on March 20<sup>th</sup>. Director Steffes then directed that the special meeting be scheduled on Tuesday, March 6, 2012.

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.

#### DIRECTOR'S INSPECTION REPORT

Director Schkade then reported that he had inspected the District's facilities with Mr. Staab on February 11, 2012 and presented the District's Inspection Report, a copy of which is attached hereto.

Ms. Hall then exited the meeting at 7:00 p.m.

Director Schkade reported that a manhole at the EST needs bullrock treatment around the edges to prevent erosion. Director Schkade further reported that Lift Station No. 7 still needs to be landscaped and the handle of the eyewash station at Water Plant No. 3 is broken.

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 Inspection Report.

#### OPERATOR'S REPORT

Mr. Rowe then stated that no changes had been made to the Operator's Report since its distribution prior to the meeting, and he briefly reviewed the Operator's Report for the month of January, a copy of which is attached hereto. Mr. Rowe reported that the District's water

accountability for the month was 88.5%, with a four (4) month average of 90.7%, and that the District currently has 5,599 active connections.

Mr. Rowe then displayed a customer billing statement and noted that the customer's average usage is printed on the invoice for each customer's reference.

Mr. Rowe reported that Ms. Jennifer Baker is going to contact Ms. Jarmon to confirm that the garbage fee and recycling fee are correct on customer billing statements.

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

Director Marks then stated that he wants to get Lift Station No. 7 landscaped. Mr. Polley suggested that the Board decide on a budget for the work and have Mr. Conner contact Storm Water Solutions to obtain proposals for the scope of work based on the budget the Board decides upon. The Board concurred on a budget of \$750 for the landscape work at Lift Station No. 7.

#### 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. Peterson then reported that the District's current TPDES Permit for the Wastewater Treatment Plant expires on February 1, 2013, and asked the Board to authorize Jones & Carter to prepare the application to the TCEQ for the renewal of the TPDES Permit.

Mr. Peterson next reported that the Jones & Carter had completed the annual facility inspection of the District's Water Plant facilities, lift stations and Wastewater Treatment Plant facilities, a copy of which report is attached hereto. Mr. Peterson briefly reviewed the recommended repairs to the Water Plant facilities totaling \$484,500 and the repairs to the Wastewater Treatment Plant facilities and lift stations totaling \$403,000. Mr. Peterson noted that the cost estimates for the recoating of the Water Plant facilities were priced as though each tank required a full interior recoating. Mr. Peterson stated that the manufacturer representatives will inspect the tanks to determine whether interior recoating is needed.

Mr. Short then exited the meeting at 7:20 p.m.

A discussion then ensued regarding some of the repairs recommended by Jones & Carter. Director Steffes suggested that the Board members might want to meet with Messrs. Peterson and Staab to inspect the facilities prior to the special meeting on Tuesday, March 6, 2012. Director Steffes then asked that the matter be further discussed at such meeting. Directors Theiss and Schkade stated that they would like to inspect the facilities on Saturday, February 25<sup>th</sup>, between 7:00 a.m. and 9:00 a.m.

Mr. Hudson then reported that he is in the process of platting Villages of Senterra Lakes, Section 4.

Mr. Conner stated that the food trailer near the golf range building has installed an illegal water line from the small well located on the property and that he has reported it to the Harris County Health Department.

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 Engineer's Report and authorize Jones & Carter to prepare the application to the TCEQ for the renewal of the District's TPDES Permit.

#### ELECTION AGENDA

##### ADOPT ORDER CALLING DIRECTORS ELECTION (THE "ORDER")

Mr. Polley then presented the Order for the upcoming May 12, 2012 Directors Election (the "Election"), a copy of which is attached hereto. Mr. Polley noted that the terms of Directors Marks, Theiss and Schkade expire in May. 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 adopt the Order.

##### DETERMINE CANVASSING DATE FOR THE ELECTION

Mr. Polley next asked the Board to select a date for canvassing the Election, explaining that such date must be no earlier than three (3) days following the Election, such date being May 15, 2012, and no later than 11 days following the Election, such date being May 23, 2012. Mr. Polley reminded the Board that only two (2) members of the Board need to be present for the canvassing of the Election results. The Board concurred to designate the regular meeting date of Tuesday, May 15, 2012, as the date for canvassing the Election.

##### ATTORNEY'S REPORT

Mr. Polley stated that he had nothing further to report.

##### MISCELLANEOUS MATTERS

Mr. Polley then stated that the next regular meeting of the Board is scheduled for Tuesday, March 20, 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 20<sup>th</sup> day of March, 2012.

  
Secretary, Board of Directors

(DISTRICT SEAL)

