

MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS

October 16, 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, October 16, 2012, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

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

All members of the Board were present, except Director Marks, thus constituting a quorum. Also attending the meeting were: Ms. Shanna Lopez of Waste Management; Ms. Mary Jarmon of Myrtle Cruz, Inc. ("MCI"), bookkeepers 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; Mr. John Howell of The GMS Group L.L.C., financial advisor for the District; Lieutenant Ronnie Glaze of the Harris County Precinct 4 Constable's Office; Mr. Travis Hudson of Texas Investment & Development Company, Inc., developer of the Bridgestone Lakes, Senterra Lakes and Villages of Senterra Lakes subdivisions within the District; Mr. Tim Early of K. Hovnanian Homes, developer in the Gosling Pines subdivision within the District; Ms. Bonnie Wells, Ms. Heather Taylor, Messrs. John Lake and Israel Wasson, residents of the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Johnson Radcliffe"), 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 another copper thief had been caught last night, but noted the incident did not occur in the District.

Ms. Taylor stated that she had observed constable patrol cars at her teenager's school. Lieutenant Glaze stated that the constables have been responding to petty crime activity at the schools.

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

### PUBLIC COMMENT

Ms. Wells then inquired about the construction activity near Tangle Creek Lane and Shalom Creek Lane. Mr. Lee responded that the construction activity is the Lower Bonds Gully Improvements project being constructed by the District.

### 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.

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) approval of the minutes of the regular meeting and certified agenda of the executive session of September 18, 2012 and the special meetings of September 25, 2012 and October 2, 2012, as written; and 2) approval of Pay Estimate No. 2 in the amount of \$46,800.00 from Blastco Texas, Inc. in connection with the Water Plant Improvements 2012 project.

### REGULAR AGENDA

#### DISCUSS 2012 TAX RATE

Mr. Howell next distributed copies of his 2012 tax rate recommendation, a copy of which is attached hereto. Mr. Howell noted that the District's 2012 assessed valuation of \$835 million represents a decrease of approximately \$1 million from the 2011 assessed valuation. Mr. Howell went on to explain that his tax rate recommendation assumes that the District continues the strategy adopted in previous years of "under levying" its debt service tax rate and maintaining the option to transfer funds from the District's Operating Fund to the Debt Service Fund, if such action becomes necessary. Mr. Howell noted that his recommendation is to levy the same tax rate for 2012 as that which was levied in 2011, which includes a debt service rate of \$0.50 per \$100 of assessed valuation and a maintenance tax rate of \$0.25 per \$100 of assessed valuation, for a total tax rate of \$0.75 per \$100 of assessed valuation. Mr. Howell noted that with a total

tax rate of \$0.75 per \$100 of assessed valuation, the average homeowner will pay \$39.00 less in 2012 taxes than what was paid in 2011. The Board concurred with Mr. Howell's tax rate recommendation.

Mr. Jarmon then entered the meeting at 6:15 p.m.

Director Warren noted that he had been thinking about the District's outstanding debt and asked if a special meeting could be scheduled to discuss the options the District might have for paying down some of the District's debt. Mr. Howell responded that he would be happy to discuss such matter with the Board at a special 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 Ms. Hall to publish the effective tax calculation and notice of the public hearing on the proposed tax rate to be held on November 20, 2012, in the FM 1960 Sun, and to maintain the District's debt tax rate of \$0.50 per \$100 of assessed valuation and a maintenance tax rate of \$0.25 per \$100 of assessed valuation, for a total 2012 tax rate of \$0.75 per \$100 of assessed valuation. Ms. Bobbitt noted that approval of the 2012 tax rate will be on the November meeting agenda.

Mr. Peterson then entered the meeting at 6:18 p.m.

#### PRESENTATION REGARDING WASTE MANAGEMENT 'S RECYCLING PROGRAM

Ms. Lopez next gave a brief presentation on the *At Your Door* recycling program offered by Waste Management, which is proposed as an enhancement to the District's routine weekly recycling service. Ms. Lopez noted that the program includes disposal of hard-to-recycle items such as household chemicals, automotive batteries and chemicals, universal materials and electronics. Mr. Lopez further explained that Waste Management would provide to the District an itemized report of items received from District residents. A copy of the information distributed to the Board is attached hereto.

#### REVIEW AND APPROVE FEASIBILITY STUDY FOR PROVISION OF SERVICE TO THE SPRING MEDICAL CENTER DEVELOPMENT

Mr. Lee then reviewed the feasibility study prepared for Spring Medical Center located on a 8.9135-acre tract at the intersection of Kuykendahl Road and FM 2920 (the "Tract"), a copy of which is attached hereto.

Mr. Lee explained that Jones & Carter estimates that the Tract will require 11,500 gallons per day ("GPD") of water capacity. Mr. Lee stated that there is an existing 12-inch waterline located along the northeast boundary of the Tract within the right-of-way of Kuykendahl Road and, therefore, a public waterline extension would not be necessary in order to provide service to the Tract.

Concerning sanitary sewer service, Mr. Lee stated that Jones & Cater estimates that the Tract will require 10,500 GPD of sanitary sewer capacity and noted that there is an existing 15-inch sanitary sewer line located adjacent to the Tract along Kuykendahl Road within a 20-foot

sanitary sewer easement and, therefore, a public sanitary sewer line extension would not be necessary to provide service to the Tract.

Mr. Lee next reported that the estimated assessed valuation of the Tract is \$6,415,000, based on an estimated value of \$800,000 per developed acre and would potentially produce tax revenue of approximately \$45,000 per year. Mr. Lee stated that a Reimbursement Calculation Worksheet is not applicable to the 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 feasibility study.

#### TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall next presented the Tax Assessor/Collector's Report for the month of September, a copy of which is attached hereto. Ms. Hall reported that 99.4% of the District's 2011 taxes had been collected. Ms. Hall next reported that she continues to work on "scrubbing" the District's tax rolls to ensure they are accurate. 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 then reviewed the Delinquent Tax Attorney's Report (the "Report"), a copy of which is attached hereto. Ms. Hall reported that Account No. 3 and Account No. 6 under Section II of the Report have not made their installment payments as promised and, therefore, water service will be terminated on October 16, 2012, if the applicable payments are not received by October 15<sup>th</sup>. Ms. Hall next reported that there are six (6) accounts under Section III of the Report that did not respond to the water service termination letters mailed out following the September meeting and were tagged on October 10, 2012 for service termination on October 16, 2012. Ms. Hall added that Mr. Greg East of Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax attorney, had received a request for an installment payment agreement from Account No. 1 under Section III of the Report after the Report had been sent out to the Board.

Director Warren then asked several questions regarding Accounts No. 2. and No. 3, under Section V, on Page 4 of the Report. Ms. Bobbitt responded that the two (2) accounts could be moved to the District's uncollectable roll.

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 Report and to authorize the Delinquent Tax Attorney to enter into an installment payment agreement with Account No. 1 under Section III of the 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 further reported that the check 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 had not yet been received when the Report was prepared.

Ms. Jarmon next reported that the District had received \$42,525.14 in tap revenues during September.

Ms. Jarmon then noted that she will prepare a draft budget for the fiscal year ending December 31, 2013 for review and discussion at the Board's November meeting.

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 INSPECTION REPORT

Director Warren then reported that he had inspected the District's facilities with Mr. Staab on October 15, 2012, a copy of which is attached hereto. Director Warren reported that the old storage building at the Wastewater Treatment Plant (the "WWTP") needs to be painted. Director Warren also noted that the new camera equipment has been installed at various District facility sites.

Director Warren then inquired if the drooping branches of an old oak tree on the District's park property could be braced up. Director Schkade commented that the props for the branches could be constructed as an Eagle Scout project. Ms. Bobbitt suggested that an arborist be consulted on the matter.

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.

Ms. Dold noted that Director Schkade is scheduled to do the facility inspections for the months of November and December.

## OPERATOR'S REPORT

Mr. Rowe then briefly reviewed the Operator's Report for the month of September, a copy of which is attached hereto. Mr. Rowe reported that the District's water accountability for

the month was 95.9%, with a four (4) month average of 95.9%, and that the District currently has 5,756 active connections.

Mr. Staab then reported that Gate No. 2 at the WWTP had been replaced.

Mr. Staab went on to report that he had obtained an estimate of \$9,500 for the replacement of the eight (8) foot wooden fence around Lift Station No. 1, on Castlemont, and \$13,000 to replace the gate. The Board concurred that they would consider including the project as an expense line item during their review of the proposed budget for the fiscal year ending December 31, 2013 and the updated Capital Improvement Plan ("CIP") that Jones & Carter is working on.

Mr. Staab next reported that it is time to begin inspection of the fire hydrants in Zone 1 of the District.

Ms. Wells and Ms. Taylor then exited the meeting and Mr. Wasson entered the meeting at 6:52 p.m.

Mr. Staab then stated that all of the District's facilities now have A.T.&T. service and recommended that the Board authorize WDM to add internet service at all of the facility sites. The Board concurred with Mr. Staab's recommendation.

Mr. Staab next reviewed a letter from Mr. Michael Flint of Riverway Properties ("Riverway"), a copy of which is attached hereto. Mr. Flint's letter explained that Riverway is the local representative of RES – TX ONE, LLC, also known as Rialto Capital ("Rialto") the owner of the property located at 5415 Brookway Willow Drive, Spring, Texas 77379. Mr. Flint's letter further explained that the property has been vacant for several years prior to acquisition by Rialto. Mr. Staab stated that WDM discovered an illegal water connection at the property on October 8<sup>th</sup> and fined Rialto \$1,500 in accordance with Section 3.07, Water Theft Policy, of the District's Rate Order. Mr. Staab noted that Mr. Flint is requesting that the Board waive the \$1,500 penalty. Extensive discussion ensued. The Board concurred that it would be hard to determine who installed the illegal water connection and directed WDM to follow the District Water Theft Policy in the District's Rate Order and declined to waive the penalty amount.

The Board next recognized Mr. Wasson, resident of 4602 Temple Bell, in the District. Mr. Wasson explained that during construction of a swimming pool at his home, the contractor caused damage to the sidewalk and a manhole. Mr. Wasson asked the Board for a 12-month extension in which to pay for the required repairs. 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 a 12-month extension for the payment of the repair costs.

Mr. Staab next reported that several residents are continuing to not pay the monthly recycling fee, which will eventually reach an amount that will cause water service to be terminated to such accounts.

Mr. Staab then noted that WDM had received and responded to five (5) or six (6) water quality calls during the current reporting period.

Mr. Staab next noted that three (3) accounts totaling \$44.59 had been written-off and 17 accounts totaling \$1,991.73 had been sent to the collection agency.

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 deny the request from Riverway to waive the \$1,500 penalty for an illegal water connection at 5415 Brookway Willow Drive, Spring, Texas 77379, 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 and Mr. Wasson then exited the meeting at 7:10 p.m.

### ENGINEER'S REPORT

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

Mr. Lee first reviewed the waterline cleaning option for cleaning the water distribution lines located in Bridgestone, Sections 1-6 and in Bridgestone West, Sections 1 and 2, a copy of which is attached to the Engineer's Report. Mr. Lee explained that Jones & Carter estimates a cost of \$100,000, plus the cost of water, to utilize a pigging/line cleaning process, or a cost of \$160,000, plus the cost of water, to utilize an air scouring process. Mr. Lee noted that the air scouring process uses less water than the pigging process. Director Theiss asked why the Board had not previously considered cleaning the water distribution lines. Mr. Peterson responded that Jones & Carter had suggested it several times to Mr. Gene Conner, the District's former General Manager. Mr. Lee then recommended that a unidirectional flushing program be implemented in the District to maintain water quality in the District. Mr. Lee explained that the cost associated with the unidirectional flushing program includes Jones and Carter's time to prepare the flushing plan, the cost of the water flushed and the operator's time to perform the actual flushing of the water lines. Mr. Peterson noted that the best time to conduct the unidirectional flushing program is November through April. After a brief discussion, the Board directed Jones & Carter to include the cost for the cleaning of the District's water lines, as described above, and the unidirectional flushing program in the revised five (5) year CIP that Jones & Carter is currently working on.

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 Engineer's Report and to authorize Jones & Carter and the consultants to update the District's five (5) year CIP.

### DEVELOPER'S REPORT

Mr. Hudson then reported that Harris County had signed the construction plans for the Villages of Senterra Lakes, Section 5 earlier today. Mr. Hudson further reported that he will have a signed contract from Colina Homes for Villages of Senterra Lakes, Section 2 tomorrow. Mr. Hudson noted that the homes in Villages of Senterra Lakes, Section 2 will range in price from \$350,000 to \$450,000.

ATTORNEY'S REPORT

STATUS OF ANNEXATION OF 10.069-ACRE TRACT ON KREINHOP ROAD

Ms. Bobbitt reported that Mr. Polley is waiting to receive additional information from Luxury Warehousing, L.L.C. in order to proceed with the proposed annexation.

DISCUSS, APPROVE AND ADOPT RESOLUTION ADOPTING AMENDED POST-  
ISSUANCE TAX-EXEMPT DEBT COMPLIANCE POLICY AND APPOINT COMPLIANCE  
OFFICER

Ms. Bobbitt next reviewed with the Board the memorandum regarding a proposed Amended Post-Issuance Tax-Exempt Debt Compliance Policies (the "Policies"), previously distributed to the Board via email.

Ms. Bobbitt informed the Board that the Policies previously adopted by the District on December 16, 2008, have been revised in response to additional information/guidelines disseminated by the Internal Revenue Service concerning post-issuance debt compliance matters and includes an annual review of each outstanding bond issue and other actions by the District to ensure that the use of bond proceeds is monitored in accordance with certain post-issuance requirements of the Internal Revenue Code of 1986, as amended. Ms. Bobbitt added that the proposed revisions to the Policies are the direct result of recent Internal Revenue Service publications that recommend annual review of each outstanding bond issue, as well as the appointment of a Compliance Officer for the District.

Ms. Bobbitt went on to explain that in order to ensure compliance, Johnson Radcliffe recommends that the Board appoint a Compliance Officer, who will be responsible for coordinating the annual review of each bond issue with various consultants of the District. Ms. Bobbitt further explained that Johnson Radcliffe will be conducting a Compliance Officer training seminar to be conducted by Mr. Doug Pahnke of Arbitrage Compliance Specialists, Inc., on November 7, 2012. Ms. Bobbitt further noted that a second training seminar will be scheduled sometime in January or February, 2013. Ms. Bobbitt then recommended that the Board adopt the Policies and appoint a Compliance Officer.

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 designate Directors Marks and Steffes as the Co-Compliance Officers for the District and to adopt a Resolution Adopting Amended Post-Issuance Tax-Exempt Debt Compliance Policies, a copy of which is attached hereto.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the Board's next regular meeting of the Board is scheduled for Tuesday, November 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 November, 2012.

  
Secretary, Board of Directors

(DISTRICT SEAL)

